Cellular Biomedicine Group, Inc.
Form 10-Q
December 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-52282

Cellular Biomedicine Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	86-1032927
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

530 University Avenue, #17
Palo Alto, CA 94301
(Address of principal executive offices)
(Zip Code)

(650) 566-5064
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period than the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer,” and “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

As of November 7, 2013 the issuer has 6,359,345 shares of common stock, par value $.001, issued and outstanding.

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CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2013	December 31, 2012 (restated)
Assets		
Cash	$ 3,465,132	$ 4,144,896
Accounts receivable	-	20,683
Other receivable	149,726	128,681
Inventory	39,979	37,241
Prepaid expenses	43,730	18,118
Other current assets	126,810	-
Total current assets	3,825,377	4,349,619
Investments	3,899,767	-
Property, plant and equipment, net	1,118,749	1,326,882
Goodwill	6,808,533	-
Intangibles	687,592	940,897
Long-term prepaid expenses and other assets	161,087	134,229
Total assets (A)	$ 16,501,105	$ 6,751,627
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 157,016	$ 23,931
Accrued expenses	864,607	97,454
Taxes payable	459,953	-
Deferred revenue	158,849	-
Advances payable to related party	30,860	-
Other current liabilities	214,947	473,848
Total current liabilities (A)	1,886,232	595,233
Total liabilities	1,886,232	595,233
Stockholders' equity:		
Preferred stock, par value $.001, 50,000,000 shares authorized; none issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	-	-
Common stock, par value $.001, 300,000,000 shares authorized; 6,323,774 and 3,710,560 issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	6,324	3,711
Additional paid in capital	31,398,301	14,710,002
Accumulated deficit	(15,962,613)	(8,618,945)

Accumulated other comprehensive income (loss)		(827,139)		61,626
Total stockholders' equity		14,614,873		6,156,394
Total liabilities and stockholders' equity	$	16,501,105	$	6,751,627

(A) The Company's consolidated assets as of September 30, 2013 and December 31, 2012 include $1,221,144 and $1,301,225, respectively, of assets of variable interest entities, or VIEs, that can only be used to settle obligations of the VIEs. These assets include property, plant and equipment, net, of $863,699 and $1,082,358 as of September 30, 2013 and December 31, 2012, respectively; cash and cash equivalents of $95,300 and $10,183 as of September 30, 2013 and December 31, 2012, respectively; other receivable of $65,207 and $51,949 as of September 30, 2013 and December 31, 2012, respectively; intangibles of $57,278 and $79,468 as of September 30, 2013 and December 31, 2012, respectively; Long-term prepaid expenses and other assets of $76,810 and $39,615 as of September 30, 2013 and December 31, 2012, respectively; prepaid expenses and other assets of $24,863 and $4,420 as of September 30, 2013 and December 31, 2012, respectively; and inventory of $37,987 and $32,232 as of September 30, 2013 and December 31, 2012, respectively. The Company's consolidated liabilities as of September 30, 2013 and December 31, 2012 included $342,190 and $555,248, respectively, being liabilities of VIEs whose creditors have no recourse to the Company. These liabilities include other payables of $218,083 and $539,244 as of September 30, 2013 and December 31, 2012, respectively; tax payable of $26,410 and $0 as of September 30, 2013 and December 31, 2012, respectively; accounts payable of $34,337 and $16,004 as of September 30, 2013 and December 31, 2012, respectively; and payroll accrual of $63,360 and $0 as of September 30, 2013 and December 31, 2012, respectively. See further description in Note 6, Variable Interest Entity.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Revenues - Products	$95,365	$4,048	$95,365	$277,411
Revenues - Services	3,092,985	-	3,204,419	-
Cost of goods sold	158,280	7,060	158,280	120,108
Gross profit (loss)	3,030,070	(3,012)	3,141,504	157,303
Operating expenses:				
General and administrative	1,821,299	606,947	8,318,022	2,646,691
Selling and marketing	23,202	124,711	130,855	300,400
Research and development	196,524	687,745	1,316,305	998,880
Total operating expenses	2,041,025	1,419,403	9,765,182	3,945,971
Operating income (loss)	989,045	(1,422,415)	(6,623,678)	(3,788,668)
Other income (expense)				
Interest expense	-	-	(257,761)	-
Interest income	247	140	2,712	1,441
Other income (expense)	(25,905)	28,242	(78,447)	28,242
Total other income (expense)	(25,658)	28,382	(333,496)	29,683
Income (loss) before taxes	963,387	(1,394,033)	(6,957,174)	(3,758,985)
Income tax provision	(386,494)	-	(386,494)	-
Net income (loss)	$576,893	$(1,394,033)	$(7,343,668)	$(3,758,985)
Other comprehensive income (loss):				
Cumulative translation adjustment	24,269	6,966	56,228	8,025
Unrecognized loss on investments	(210,420)	-	(944,993)	-
Comprehensive income (loss)	$390,742	$(1,387,067)	$(8,232,433)	$(3,750,960)
Earnings per share:				
Basic	$0.09	$(0.45)	$(1.33)	$(1.28)
Diluted	$0.09	$(0.45)	$(1.33)	$(1.28)
Weighted average common shares outstanding:				
Basic	6,155,203	3,099,268	5,519,634	2,948,000
Diluted	6,229,825	3,099,268	5,519,634	2,948,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For The Nine Months Ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,343,668)	$ (3,758,985)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	643,444	305,013
Stock based compensation expense	2,904,047	735,979
Loss on the disposal of fixed assets	-	1,477
Third party services received in exchange for disposition of investment stock	83,334	
Loss recognized in excess of cash received on disposition of investment stock	98,240	-
Value of stock received for services	(3,000,000)	-
Deferred tax	(76,544)	-
Changes in operating assets and liabilities:		
Accounts receivables	20,683	36,693
Other receivables	(21,045)	(93,251)
Inventory	(2,738)	(1,438)
Prepaid expenses	(25,612)	390,244
Other current assets	(76,810)	(1,199)
Long-term prepaid expenses and other assets	(26,858)	-
Accounts payables	(16,013)	(17,437)
Other current liabilities	(264,635)	(431,770)
Taxes payable	449,832	(95,986)
Accrued expenses	(378,949)	(59,606)
Deferred revenue	(92,985)	-
Net cash used in operating activities	(7,126,277)	(2,990,266)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired	2,568,995	-
Purchases of intangibles	(5,801)	(1,051,300)
Purchases of assets	(139,900)	(1,093,912)
Net cash provided by (used in) investing activities	2,423,294	(2,145,212)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock	4,005,071	6,129,303
Repayment of advances from affiliate	(1,250)	(5,651)
Advances from affiliate	(525)	-
Net cash provided by financing activities	4,003,296	6,123,652
EFFECT OF EXCHANGE RATE CHANGES ON CASH	19,923	13,198

INCREASE (DECREASE) IN CASH		(679,764)		1,001,372
CASH, BEGINNING OF PERIOD		4,144,896		4,413,971
CASH, END OF PERIOD	$	3,465,132	$	5,415,343
SUPPLEMENTAL CASH FLOW INFORMATION				
Non cash financing and investing activities:				
Issuance of company stock for accrued liabilities and advances	$	149,475	$	-

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CELLULAR BIOMEDICINE GROUP, INC.
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS

Overview

As of February 6, 2013, our principal line of business is in the field of biomedicine. Specifically, through our wholly-owned subsidiary Cellular Biomedicine Group Ltd. (BVI), we are involved in the development of new treatments for cancerous and degenerative diseases utilizing proprietary cell technologies, which include, without limitation, (i) TC-DC (tumor cell specific dendritic cells) for treatment of a board range of cancers, (ii) haMPC (human adipose-derived mesenchymal progenitor cells) for treatment of joint disease, (iii) huMPC (human umbilical cord-derived mesenchymal progenitor cells), (iv) MNP (human embryo-derived motor neuron precursor cells) and NP (human embryo-derived neuronal precursor cells) for treatment of central nervous system diseases. Leading up to our recent change of control, we were primarily engaged in financial consulting. We continue to operate our financial consulting business under a wholly owned subsidiary, as discussed in further detail below.

Corporate History

Cellular Biomedicine Group, Inc., a Delaware corporation (formerly known as EastBridge Investment Group Corporation) (the “Company”), was originally incorporated in the State of Arizona on June 25, 2001 under the name ATC Technology Corporation. ATC Technology Corporation changed its corporate name to EastBridge Investment Group Corporation in September 2005 and changed its business focus to providing investment related services in Asia, with a strong focus on high GDP growth countries, such as China. The Company provides consulting services necessary for small to medium-size companies to obtain capital to grow their business. The Company assists its clients in locating investment banking, financial advisory and other financial services necessary to become public companies in the United States or find joint venture partners or raise capital to expand their businesses. While it still maintains its consulting services business, effective with the merger in the first quarter of 2013, the Company has shifted its focus to the field of biomedicine.

Reorganization and Share Exchange

Effective January 18, 2013, the Company completed its reincorporation from the State of Arizona to the State of Delaware (the “Reincorporation”). The Company filed its Certificate of Incorporation and Certificate of Conversion with the Delaware Secretary of State on January 18, 2013. In connection with the Reincorporation, each 100 shares of common stock of the Company was converted into 1 share, with the same effect as a 1:100 reverse stock split, effective on January 31, 2013. Please refer to the Current Reports on Form 8-K, filed by the Company on January 25, 2013 and February 1, 2013. All share and per share information in this 10-Q, unless otherwise specified, are retroactively restated to reflect this conversion.

Merger with CBMG BVI

On November 13, 2012, EastBridge Investment Group Corporation, an Arizona corporation (“EastBridge”), CBMG Acquisition Limited, a British Virgin Islands company and the Company’s wholly-owned subsidiary (“Merger Sub”) and Cellular Biomedicine Group Ltd. (“CBMG BVI”), a British Virgin Islands company, entered into a Merger Agreement, pursuant to which CBMG BVI was the surviving entity in a merger with Merger Sub whereby CBMG BVI became a wholly-owned subsidiary of the Company (the "Merger"). The Merger was consummated on February 6, 2013 (the “Closing Date”). Upon consummation of the Merger, CBMG BVI shareholders were issued 3,638,941 shares of common stock, par value $0.001 per share, of the Company (the “Company Common Stock”) constituting approximately 70% of the outstanding stock of the Company on a fully-diluted basis and the then current Company shareholders retained 30% of the Company on a fully-diluted basis. Specifically, each of CBMG BVI’s ordinary shares (“CBMG BVI Ordinary Shares”) were converted into the right to receive 0.020019 shares of Company Common Stock.

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A copy of the Agreement and Plan of Merger dated November 13, 2012 and Amendments 1, 2 and 3 thereto, were included as Exhibits 2.1, 2.2, 2.3 and 2.4 to the Current Report on Form 8-K filed by the Company on February 12, 2013.

Also in connection with the Merger, the Company created a new Delaware subsidiary named EastBridge Investment Corp. (“EastBridge Sub”). Pursuant to a Contribution Agreement by and between the Company and EastBridge Sub dated February 5, 2013, the Company contributed all of its then current assets and liabilities to EastBridge Sub which continued the business and operations of the Company at the subsidiary level. A copy of the Contribution Agreement is attached as Exhibit 10.1 the Current Report on Form 8-K filed by the Company on February 12, 2013.

As a result of the Merger,: CBMG BVI and EastBridge Sub became the two direct subsidiaries of the Company.

In connection with the Merger, effective on March 5, 2013, the Company (formerly named “EastBridge Investment Group Corporation”) changed its name to “Cellular Biomedicine Group, Inc.” In addition in March 2013, the Company changed its corporate headquarters to 530 University Avenue in Palo Alto, California.

NOTE 2 – BASIS OF PRESENTATION

As of February 6, 2013, in connection with the Merger, Cellular Biomedicine Group, Ltd. being the accounting acquirer thus resulting in a reverse merger for accounting purposes. Therefore, the accompanying financial statements are on a consolidated basis subsequent to February 6, 2013, but only reflect the operations of Cellular Biomedicine Group, Ltd. prior to the date of acquisition.

The results of operations for the three and nine months ended September 30, 2013, are not necessarily indicative of the results to be expected for the full year. The information included in this Form 10-Q should be read in conjunction with the audited financial statements of Cellular Biomedicine Group, Ltd for the year ended December 31, 2012 filed on as Exhibit 99.1 to Form 8-K/A filed with the Securities and Exchange Commission on June 18, 2013. Unless otherwise noted in this report, any description of “us”, “our” or “we” refers to Cellular Biomedicine Group, Inc. and its subsidiaries.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its financial statements in accordance with U.S. GAAP. Significant accounting policies are as follows:

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles, or GAAP, and reflect the accounts and operations of the Company and its majority or wholly-owned subsidiaries, beginning with the date of their respective acquisition. In accordance with the provisions of Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (“ASC”) Section 810, or ASC 810, Consolidation, the Company consolidates any variable interest entity, or VIE, of which it is the primary beneficiary. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as variable interest entities, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company does not consolidate a VIE in which it has a majority ownership interest when the Company is not considered the primary beneficiary. The Company has determined that it is the primary beneficiary in a VIE—refer to Note 6, Variable Interest Entity. The Company evaluates its relationships with the VIE on an ongoing basis to ensure that it continues to be the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Revenue Recognition

The Company utilizes the guidance set forth in the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104, regarding the recognition, presentation and disclosure of revenue in its financial statements.

For its consulting segment, the Company engages in listing contracts with its clients which provide for the payment of fees, either in cash or equity, upon the achievement of certain milestones by the client, including the successful completion of a financial statement audit, the successful listing on a national stock exchange or over-the-counter market and the maintenance of ongoing 1934 Act reporting requirements with the Securities and Exchange Commission. In some instances, payment may be made in advance of performance; however, such payment is often refundable in the event that milestones are not reached. The Company recognizes revenue as milestones are reached in accordance with FASB’s Accounting Standards Codification (ASC) No. 605-28-25. Such guidance stipulates that revenue be recognized for individual elements in a multiple deliverable arrangement using the relative selling price method. The Company relies on internal estimates of the relative selling price of each element as objective third-party evidence is unattainable.

The Company has historically not recognized revenue for consulting services performed in exchange for shares of client stock until such shares are received as collectability has not been assured prior to receipt of such shares. At September 30, 2013, the Company has not recognized revenue for services that have been completed for which the Company is due to receive 12 million shares of Arem Pacific Corporation as such shares have not yet have been received.

For its Biomedicine segment, the Company recognizes revenue when pervasive evidence of an arrangement exists, the price is fixed and determinable, collection is reasonably assured and delivery of products or services has been rendered. Based on current estimates we expect our biomedicine business to generate revenues primarily from the development of therapies for the treatment of Knee Osteoarthritis within the next two years and Hepatocellular Carcinoma within the next three to five years.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At September 30, 2013 and December 31, 2012, respectively, cash and cash equivalents include cash on hand and cash in the bank. At times, cash deposits may exceed government-insured limits.

Accounts Receivable

Accounts receivable represent amounts earned but not collected in connection with the Company’s Biomedicine segment sales. The Company’s Consulting segment does not have accounts receivable from regular operations. Account receivables are carried at their estimated collectible amounts.

The Company plans to follow the allowance method of recognizing uncollectible accounts receivable. The Company recognizes bad debt expense based on specifically identifying customers and invoices that are anticipated to be uncollectable. At September 30, 2013 and December 31, 2012, an allowance was determined to not be needed as the Company is still performing clinical trials and has not yet generated revenues from its cell therapy candidates in the Biomedicine segment. Correspondingly the Company has not recorded any bad debt expense for the periods ended September 30, 2013 and December 31, 2012, respectively.

Inventory

Inventories consist of finished goods, raw materials, work-in-process, and low value consumable materials. Inventories are initially recognized at cost and subsequently at the lower of costs and net realizable value. First-in first-out cost is used to determine the cost. Finished goods are comprised of direct materials, direct labor, depreciation and manufacturing overhead. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs to complete and dispose. The Company regularly inspects the shelf life of prepared finished goods and, if necessary, writes down their carrying value based on their salability and expiration dates into cost of goods sold.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets and begins when the related assets are placed in service. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred. Plant, property and equipment are reviewed each year to determine whether any events or circumstances indicate that the carrying amount of the assets may not be recoverable.

For the three and nine months ended September 30, 2013, depreciation expense was $122,173 and $375,173, respectively and for the three and nine months ended September 30, 2012 depreciation expense was $107,319 and $229,166, respectively.

Depreciation is provided for on the straight-line method generally over an estimated useful life of five years.

Goodwill and Other Intangibles

Goodwill represents the excess of the cost of assets acquired over the fair value of the net assets at the date of acquisition. Intangible assets represent the fair value of separately recognizable intangible assets acquired in connection with the Company's business combinations. The Company evaluates its goodwill and other intangibles for impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred. The Company intends to perform its annual impairment test in the fourth quarter of 2013. As of September 30, 2013 no impairment has been recorded with respect to any goodwill or intangible assets.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized.

A full valuation allowance has been established against all net deferred tax assets as of September 30, 2013 based on estimates of recoverability. While the Company has optimistic plans for its business strategy, it has determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to its ability to generate sufficient profits from its business model.

Share-Based Compensation

The Company periodically uses stock-based awards, consisting of shares of common stock, to compensate certain employees, officers and consultants. Shares are expensed on a straight-line basis over the requisite service period based on the grant date fair value, net of estimated forfeitures, if any.

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Fair Value of Financial Instruments

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets.

All transfers between fair value hierarchy levels are recognized by the Company at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement in its entirety, requires judgment, and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investment in those instruments.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of "investments" is dependent on the type of investment, whether it is marketable or non-marketable.

Marketable securities held by the Company are held for an indefinite period of time and thus are classified as available-for-sale securities. The fair value is determined by the closing price for the investment as of the balance sheet date. Realized investment gains and losses are included in the statement of operations, as are provisions for other than temporary declines in the market value of available for-sale securities. Unrealized gains and unrealized losses deemed to be temporary are excluded from earnings (losses), net of applicable taxes, as a component of other comprehensive income (loss). Factors considered in judging whether an impairment is other than temporary include the financial condition, business prospects and creditworthiness of the issuer, the length of time that fair value has been less than cost, the relative amount of decline, and the Company's ability and intent to hold the investment until the fair value recovers.

These marketable securities are shares of stock in the consulting segment clients. These clients are trading on the various OTC markets including Pink sheets. The majority of these shares are very thinly traded and therefore are highly volatile. The Company acknowledges that this volatility can result in significant swings in value, and previously reviews each investment for other than temporary impairments.

The carrying amounts of other financial instruments, including cash, other receivables, accounts payable and accrued liabilities, income tax payable and related party payable approximate fair value due to their short maturities.

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Basic and Diluted Net Loss Per Share

Diluted income (loss) per share reflects potential dilution from the exercise or conversion of securities into common stock. The dilutive effect of the Company's share-based awards is computed using the treasury stock method, which assumes that all share-based awards are exercised and the hypothetical proceeds from exercise are used to purchase common stock at the average market price during the period. Share-based awards whose effects are anti-dilutive are excluded from computing diluted income (loss) per share.

Foreign Currency Translation

The Company's financial statements are presented in U.S. dollars ($), which is the Company’s reporting currency, while some of the Company’s subsidiaries’ functional currency is Chinese Renminbi (RMB). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the consolidated statements of income. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency rate of exchange ruling at the balance sheet date. Any differences are taken to profit or loss as a gain or loss on foreign currency translation in the statements of income. In accordance with ASC 830, Foreign Currency Matters, the Company translates the assets and liabilities into USD from RMB using the rate of exchange prevailing at the applicable balance sheet date and the statements of income and cash flows are translated at an average rate during the reporting period. Adjustments resulting from the translation are recorded in shareholders' equity as part of accumulated other comprehensive income. The PRC government imposes significant exchange restrictions on fund transfers out of the PRC that are not related to business operations. These restrictions have not had a material impact on the Company because it has not engaged in any significant transactions that are subject to the restrictions.

Recent Accounting Pronouncements

"In January 2013, the FASB issued Accounting Standards Update ASU No. 2013-01, “Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.” This Standard clarifies that ordinary trade receivables are not in the scope of ASU No. 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.” Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the FASB Accounting Standards Codification or subject to a master netting arrangement or similar agreement. An entity is required to apply the amendments in ASU 2013-01 for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. The effective date is the same as the effective date of ASU 2011-11. The adoption of ASU No. 2013-01 is not expected to have a material impact on the consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to the note where additional details about the effect of the reclassifications are disclosed. This ASU is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this guidance is not expected to have a significant impact on the presentation of the

Company's Consolidated Financial Statements.

"In March 2013, the Financial Accounting Standards Board (""FASB"") issued ASU No. 2013-05, Foreign Currency Matters (Topic 830)—Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity, (""ASU 2013-05""). This amendment clarifies the applicable guidance for the release of cumulative translation adjustment into net earnings. When an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity, the entity is required to apply the guidance in ASC 830-30 to release any related cumulative translation adjustment into net earnings. Accordingly, the cumulative translation adjustment should be released into net earnings only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. ASU 2013-05 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted as of the beginning of the entity's fiscal year. The Company will adopt ASU 2013-05 as of the beginning of calendar 2014 and does not expect the adoption of ASU 2013-05 to have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

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NOTE 4 – RESTATEMENT AND RECLASSIFICATION

The Company presented the December 31, 2012 balance sheet in the 8-K/A filed on June 18, 2013, without properly applying ASC 810, Consolidation, with respect to the treatment of the Variable Interest Entity (VIE) relationship. A correction was required to (i) properly eliminate the Company's investment in the VIE, which resulted in a decrease in receivables and equity, and (ii) properly classify a deferred tax asset that was previously reflected as a tax refund receivable as a deferred tax asset.

Additionally, the Company had not previously reflected the impacts of shares issued for services during 2012. A correction was needed to the balance sheet as of December 31, 2012 to recognize an increase in paid in capital and a reduction to retained earnings in the amount of $1,184,192.

Adjustments to the income statement to properly expense the shares issued for services during 2012, served to increase the Company's net loss by $288,948 and $266,969 in the three months ended March 31, 2012 and June 30, 2012, respectively. There was no other material impact to the Company's financial condition, operating cash flows or results of operations as a result of these restrictions. The following table sets forth the impact of these corrections on our balance sheet as of December 31, 2012:

CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2012		
	As Originally reported	Restatement adjustment	As Restated
	Assets		
Cash	$ 4,144,896	$ -	$ 4,144,896
Accounts receivable	20,683	-	20,683
Other receivable	1,715,756	(1,587,075)	128,681
Inventory	37,241	-	37,241
Prepaid expenses	18,118	-	18,118
Total current assets	5,936,694	(1,587,075)	4,349,619
Property, plant and equipment, net	1,326,882	-	1,326,882
Intangibles and other assets	940,897	-	940,897
Long-term prepaid expenses	14,802	119,427	134,229
Total assets (A)	$ 8,219,275	$ (1,467,648)	$ 6,751,627
	Liabilities and Stockholders' Equity		
Liabilities:			
Accounts payable	$ 23,931	$ -	$ 23,931
Accrued expenses	97,454	-	97,454
Tax payable	(119,427)	119,427	-
Other current liabilities	473,848	-	473,848
Total current liabilities	475,806	119,427	595,233
Deferred tax liability non-current			-
Total liabilities (A)	475,806	119,427	595,233

Stockholders' equity:						
Preferred stock, par value $.001, 50,000,000 shares						
authorized; none issued and outstanding		-		-		-
Common stock, par value $.001, 300,000,000 shares authorized;						
3,710,560 issued and outstanding		3,711		-		3,711
Additional paid in capital		14,414,998		(295,004)		14,710,002
Accumulated deficit		(6,736,866)		(1,882,079)		(8,618,945)
Accumulated other comprehensive income (loss)		61,626		-		61,626
Total stockholders' equity		7,743,469		(1,587,075)		6,156,394
Total liabilities and stockholders' equity	$	8,219,275	$	(1,467,648)	$	6,751,627

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NOTE 5 – BUSINESS COMBINATION

As indicated in Notes 1 and 2, on February 6, 2013, EastBridge merged with Cellular Biomedicine Group, Ltd., with Cellular Biomedicine Group, Ltd. being the accounting acquirer thus resulting in a reverse merger for accounting purposes. After consummation of this transaction, the then current Company stockholders retained 30% of the Company on a fully-diluted basis. The Company has accounted for the merger as a business purchase of EastBridge by Cellular Biomedicine with the purchase price of $9,781,794 equal to the fair value of the shares retained by the then current Company stockholders.

The following table presents the initial allocation of the purchase price of EastBridge by Cellular Biomedicine:

Cash	$2,568,995
Other current assets	50,000
Investments	2,026,334
Goodwill	6,808,533
Total assets acquired	11,453,862
Accounts payable	(149,098)
Accrued expenses	(1,156,223)
Deferred revenue	(251,834)
Advances payable to related party	(32,635)
Other current liabilities	(5,734)
Deferred tax liability non-current	(76,544)
Total liabilities assumed	(1,672,068)
Net assets acquired	$9,781,794

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The following unaudited pro forma consolidated results of operations for the three and nine months ended September 30, 2013 and 2012 has been prepared as if the acquisition of EastBridge had occurred on January 1, 2012.

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	CBMG	EastBridge Pro forma	Pro forma	CBMG	EastBridge Pro forma	Pro forma
	As stated	Adjustment	Consolidated	As stated	Adjustment	Consolidated
Net revenue	$ 3,188,350	$ -	$ 3,188,350	$ 4,048	$ 5,887,057	$ 5,891,105
Net income (loss)	576,893	-	576,893	(1,394,033)	5,163,560	(3,769,527)
Weighted average shares						
Basic	6,155,203	-	6,155,203	3,099,268	1,566,285	4,665,553
Diluted	6,229,825	-	6,229,825	3,099,268	1,566,285	4,665,553
Earnings per share						
Basic	$ 0.09	$ -	$ 0.09	$ (0.45)	$ 3.30	$ 0.81
Diluted	$ 0.09	$ -	$ 0.09	$ (0.45)	$ 3.30	$ 0.81

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	CBMG	EastBridge Pro forma	Pro forma	CBMG	EastBridge Pro forma	Pro forma
	As stated	Adjustment	Consolidated	As stated	Adjustment	Consolidated
Net revenue	$ 3,299,784	$ -	$ 3,299,784	$ 277,411	$ 6,053,828	$ 6,331,239
Net income (loss)	(7,343,668)	(230,707)	(7,574,375)	(3,578,985)	4,747,460	988,475
Weighted average shares						
Basic	5,519,634	-	5,519,634	2,948,000	1,559,660	4,507,660
Diluted	5,519,634	-	5,519,634	2,948,000	1,559,660	4,507,660
Earnings per share						
Basic	$ (1.33)	$ -	$ (1.37)	$ (1.28)	$ 3.04	$ 0.22
Diluted	$ (1.33)	$ -	$ (1.37)	$ (1.28)	$ 3.04	$ 0.22

NOTE 6 – VARIABLE INTEREST ENTITY

VIEs are those entities in which a company, through contractual arrangements, bears the risk of, and enjoys the rewards normally associated with ownership of the entity, and therefore the company is the primary beneficiary of the entity. Cellular Biomedicine Group Ltd (Shanghai) (“CBMG Shanghai”) is a variable interest entity (VIE), through which the Company conducts stem cell research and clinical trials in China. The shareholders of record for CBMG Shanghai are Cao Wei and Chen Mingzhe, who together own 100% of the equity interests in CBMG Shanghai. The initial capitalization and operating expenses of CBMG Shanghai are funded by our wholly foreign-owned enterprise (“WFOE”), Cellular Biomedicine Group Ltd. (Wuxi) (“CBMG Wuxi”). The registered capital of CBMG Shanghai is ten million RMB and was incorporated on October 19, 2011.

In February 2012, CBMG Wuxi provided financing to CBMG Shanghai in the amount of $1,587,075 for working capital purposes. In conjunction with the provided financing, exclusive option agreements were executed granting CBMG Wuxi the irrevocable and exclusive right to convert the unpaid portion of the provided financing into equity interest of CBMG Shanghai at CBMG Wuxi’s sole and absolute discretion. CBMG Wuxi and CBMG Shanghai additionally executed a business cooperation agreement whereby CBMG Wuxi is to provide CBMG Shanghai with technical and business support, consulting services, and other commercial services. The shareholders of CBMG Shanghai pledged their equity interest in CBMG Shanghai as collateral in the event CBMG Shanghai does not perform its obligations under the business cooperation agreement.

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The Company has determined it is the primary beneficiary of CBMG Shanghai by reference to the power and benefits criterion under ASC 810, Consolidation. This determination was reached after considering the financing provided by CBMG Wuxi to CBMG Shanghai is convertible into equity interest of CBMG Shanghai and the business cooperation agreement grants the Company and its officers the power to manage and make decisions that affect the operation of CBMG Shanghai.

There are substantial uncertainties regarding the interpretation, application and enforcement of PRC laws and regulations, including but not limited to the laws and regulations governing our business or the enforcement and performance of our contractual arrangements. See Risk Factors below regarding “Risks Related to Our Structure”. The Company has not provided any guarantees related to CBMG Shanghai and no creditors of CBMG Shanghai have recourse to the general credit of the Company.

As the primary beneficiary of CBMG Shanghai, the Company consolidates in its financial statements the financial position, results of operations, and cash flows of CBMG Shanghai, and all intercompany balances and transactions between the Company and CBMG Shanghai are eliminated in the consolidated financial statements.

The Company has aggregated the financial information of CBMG Shanghai in the table below. The aggregate carrying value of CBMG Shanghai’s assets and liabilities (after elimination of intercompany transactions and balances) in the Company’s consolidated balance sheet as of September 30, 2013 and December 31, 2012, are as follows:

	September 30, 2013	December 31, 2012
Assets		
Cash	$ 95,300	$ 10,183
Other receivable	65,207	51,949
Inventory	37,987	33,232
Prepaid expenses	24,863	4,420
Total current assets	223,357	99,784
Property, plant and equipment, net	863,699	1,082,358
Intangibles	57,278	79,468
Other assets	76,810	39,615
Total assets	$ 1,221,144	$ 1,301,225
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 34,337	$ 16,004
Other payable	218,083	539,244
Payroll accrual	63,360	-
Tax payable	26,410	-
Total liabilities	$ 342,190	$ 555,248

NOTE 7 – OTHER CURRENT ASSETS

Other Receivables

The Company pays deposits on various items relating to office expenses. Management has classified these deposits as receivables as the intention is to recover these deposits in less than 12 months. As of September 30, 2013 and

December 31, 2012 the amounts of other receivables was $149,726 and $128,681.

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NOTE 8 – INVENTORY

At September 30, 2013 and December 31, 2012, inventory consisted of the following:

	September 30, 2013	December 31, 2012
Raw materials	$ 24,850	$ 37,241
Goods in transit	15,128	-
	39,978	37,241

This inventory is from the biomedicine segment. The consulting segment does not have inventory.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2013 and December 31, 2012, property, plant and equipment, carried at cost, consisted of the following:

	September 30, 2013	December 31, 2012
Office equipment	$ 423,343	$ 16,586
Manufacturing equipment	359,654	644,909
Computer equipment	36,011	32,504
Leasehold improvements	1,038,998	762,579
Construction work in process	18,491	-
	1,876,497	1,456,578
Less: accumulated depreciation	(757,748)	(129,696)
	$ 1,118,749	$ 1,326,882

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NOTE 10 – FAIR VALUE ACCOUNTING

Assets measured at fair value on a recurring basis as of September 30, 2013 are summarized as follows:

	2013 Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity position in Alpha Lujo, Inc.	$107,118	$107,118	$-	$ -
Equity position in Arem Pacific Corporation	3,000,000	3,000,000	-	-
Equity position in Wonder International Education & Investment Group Corporation	792,650	792,650	-	-
	$3,899,768	$3,899,768	$-	$ -

During the three months ended September 30, 2013, the Company received 1,000,000 shares of Arem Pacific Corporation as compensation for services performed by the Company's Consulting Segment. As of September 30, 2013, the Company holds 2,142,350 and 2,201,805 shares in Alpha Lujo, Inc and Wonder International Education and Investment Group Corporation, respectively. The Company has valued these shares at the closing OTCBB quoted price on September 30, 2013. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at period end. No such assets existed as of December 31, 2012.

NOTE 11 – INTANGIBLE ASSETS

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. The Company evaluates the continuing value of the intangibles at each balance sheet date and records write-downs if the continuing value has become impaired. An impairment is determined to exist if the anticipated future cash flow attributable to the asset is less than its carrying value. The asset is then reduced to the net present value of the anticipated future cash flow. Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

As of September 30, 2013 and December 31, 2012, intangible assets, consisted of the following:

Patents

	September 30, 2013	December 31, 2012
Cost basis	$1,020,406	$1,000,000
Less: accumulated amortization	(391,532)	(139,097)
	$628,874	$860,903

Software

	September 30, 2013	December 31, 2012
Cost basis	$56,557	$34,259
Less: accumulated amortization	(9,547)	(1,132)
	$47,010	$33,127

Trademark

	September 30, 2013	December 31, 2012
Cost basis	$11,708	$-
Less: accumulated amortization	-	-
	$11,708	$-

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All software is provided by a third party vendor, is not internally developed, and has an estimated useful life of 5 years. Patents are amortized using an estimated useful life of 3 to 5 years. Amortization expense for the three and nine months ended September 30, 2013 was $95,628 and $268,206, respectively while the amortization expense for the three and nine months ended September 30, 2012 was $75,457, and $75,84, respectively. Estimated amortization expense for each of the ensuing years are as follows for the years ending December 31:

Year ending December 31,		Amount
2013	$	85,730
2014		342,920
2015		221,797
2016		9,582
2017 and thereafter	$	15,855

NOTE 12 – LEASES

Operating lease commitments

Our corporate headquarters are located at 530 University Avenue in Palo Alto, California. We currently pay rent in the amount of $1,400 per month on a month-to-month basis.

The Company also is leasing office space in Scottsdale, Arizona under a two year non-cancelable operating lease agreement initiated in August 2012. In 2012, the Company agreed to continue the lease agreement for housing in Beijing. This lease continues on a month-to-month basis. Rent expense for the nine months ended September, 2013 and 2012 was $345,235 and $274,996, respectively, including events to related parties described in Note 13.

Additionally, the biomedical division has entered into six tenancy agreements. The details of the six tenancy agreements are as follows:

CBMG Wuxi, the lessee, has a tenancy agreement with Wuxi HuishanXin Cheng Life Technology Industry Development Co., LTD's., the lessor, for lease of the demised premises in Room E2301, Life Technology Industry A Zone, 1619, Huishan Da Dao, Huishan District, Wuxi, P. R. China. The lease term is three years, commencing from March 1, 2011 to February 28, 2014.

CBMG Shanghai, the lessee, has a tenancy agreement with Shanghai Guilin Industry Company Ltd., the lessor, for lease of the demised premises in level 5 and level 6, Building 1,333 Guiping Road, Xuhui District, Shanghai, P.R. China. The lease term is three years, commencing from December 31, 2011 to November 30, 2014.

CBMG Shanghai, the lessee, has a tenancy agreement with HuiQian, the lessor, for lease of the demised premises in Room 202, Lianhua Road, Minhang District, Shanghai, P.R. China. The lease term is one year, commencing from February 12, 2013 to February 11, 2014.

CBMG Shanghai, the lessee, has a tenancy agreement with WangJing, the lessor, for lease of the demised premises in Room 3-308, Alley 1458, Gumei Road, Minhang District, Shanghai, P.R. China. The lease term is one year, commencing from March 4, 2013 to March 3, 2014.

Cellular Biomedicine Group Hong Kong (HK), the lessee, has a tenancy agreement with Global Incorporation Centre (HK) Limited, the lessor, for lease of the demised premises in Unit 402, 4th Floor, Fairmont House, No. 8 Cotton Tree Drive, Admiralty, Hong Kong. The lease term is one year, commencing from July 1, 2013 to June 30, 2014.

CBMG Shanghai, the lessee, has a tenancy agreement with Shanghai Xuhui Huizhong Public rental housing, the lessor, for lease of the demised premises in Room 1210, NO. 36 Caodong Road, Xuhui District. The lease term is two years, commencing from December 17, 2012 to December 31, 2014.

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As of September 30, 2013, the Company has the following future minimum lease payments due under the foregoing lease agreements:

Year ending December 31,	Amount
2013	$ 201,854
2014	346,158
	$ 548,012

NOTE 13 – RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2013, the Company paid $1,493,439 to its former officers to settle all outstanding accrued compensation liabilities. Accrued compensation liability to related parties was $30,860 as of September 30, 2013. No such amounts are reflected as of December 31, 2012 as these represent liabilities of EastBridge whose assets are only reported subsequent to the date of merger.

The Company received advances from two of its directors, one of whom is also a major stockholder who holds approximately a 9% interest in the Company, in the ordinary course of business at a rate of 4.3% interest which is the federal long term interest rate as of September 30, 2013.

The executive employment agreements and deferred compensation arrangements discussed in Note 16 is incorporated into this Note 13.

NOTE 14 – EQUITY

ASC Topic 505 Equity paragraph 505-50-30-6 establishes that share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Accounting Standard Codification Topic 470 Debt paragraph 470-50-40-3 states that, in an early extinguishment of debt through exchange for common or preferred stock, the reacquisition price of the extinguished debt shall be determined by the value of the common or preferred stock issued or the value of the debt whichever is more clearly evident. The Company’s policy is to record all stock transactions at the quoted market price on the day of issuance, as the most consistently reliable measurement of the transaction value.

Immediately prior to the reverse merger the company had 1,571,130 shares outstanding. The Company issued 3,638,941 shares in connection with the merger. See Note 1 for a discussion of the accounting for the merger.

During the nine months ended September 30, 2013, the Company issued 41,766 shares of common stock, respectively, to third parties for services rendered. The Company expensed $149,475, respectively, in connection with these issuances based on the quoted market prices on the dates of issuance. No such issuances were made during the three months ended September 30, 2013.

During the nine months ended September 30, 2013, the Company issued 60,000 shares of common stock, to the former officers of the Company. The Company expensed $360,000 in connection with these issuances based on the quoted market prices on the dates of issuance. No such issuances were made during the three months ended September 30, 2013.

During the nine months ended September 30, 2013, the Company issued 71,814 shares of common stock, to employees that had earned these shares as compensation as of the date of merger. The Company expensed $350,402 in connection with these issuances based on the quoted market prices on the dates of issuance. No such issuances were made during the three months ended September 30, 2013.

During the nine months ended September 30, 2013, the Company issued 342,360 shares of common stock, to specific stockholders as the Company did not achieve ten Phase II clinical trials by March 31, 2013 in accordance with the terms and conditions of certain private placement agreements entered into by private investors in CBMG BVI and assumed by the Company. The Company expensed $1,694,682 in connection with these issuances based on the quoted market prices on the dates of issuance. There are no further milestones that would require additional stock issuances. No such issuances were made during the three months ended September 30, 2013.

During the three and nine months ended September 30, 2013, the Company expensed $240,975 and $578,191, respectively, associated with unvested restricted and option awards that generally vest over a three year period.

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During the three and nine months ended September 30, 2012, the Company expensed $180,063 and $735,979, respectively, associated with such awards during the three and nine months ended September 30, 2012, respectively.

During the three and nine months ended September 30, 2012, the Company issued 395,729 and 507,833, respectively, shares of common stock for cash in the amount of $5,016,375 and $7,716,375, respectively.

On July 24, 2013, the Company entered into a Subscription Agreement ("Subscription Agreement") with selected investors (the "Purchasers") that met the criteria as "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the "Act"), and other investors who met the criteria as "non-U.S. persons" who agreed to comply with the applicable requirements of Regulation S under the Act. The Company offered to sell up to an aggregate of 1,194,030 shares of the Company's common stock, $0.001 par value. During the three months ended September 30, 2013, the Company issued to the Purchasers an aggregate of 597,763 shares of common stock at a price per share of $6.70 for an aggregate purchase price of $4,005,072. Additional information regarding this financing appears in the Company's Form 8-K filed on July 25, 2013.

NOTE 15 – DEFERRED REVENUE

The following table represents the balance of deferred revenue that has not yet been recognized under the Company's revenue recognition policies:

		September 30, 2013	December 31, 2012
Kaida Road Construction Company	$	73,000	-
Dwarf Technologies		75,814	-
LongWen		10,035	-
	$	158,849	-

All of the deferred revenue result from receipt of cash deposits from the consulting segment clients in accordance with each specific listing agreements.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Executive Employment Agreements

At the close of the merger with CBMG BVI, the Company entered into executive employment agreements with each of Wen Tao (Steve) Liu, Wei (William) Cao and Andrew Chan (the "New Officers") dated February 6, 2013 (each an "Employment Agreement," collectively, the "Employment Agreements"). Pursuant to Amendment 1 to the Employment Agreement, Andrew Chan will receive an annual base salary of $200,000. Pursuant to BOD Minutes dated September 29, 2013, Steve Liu and William Cao will receive an annual base salary of $200,000 and $225,000, respectively. The New Officers are also eligible to participate in the Company's Amended and Restated 2011 Incentive Stock Option Plan (the "2011 Plan") and receive an option grant thereunder for the purchase of common stock of the Company at the discretion of the board of directors of the Company (the "Board"). The term of the New Officers' employment agreements are effective as of February 6, 2013 and continue for three years thereafter. After the three year term, if the New Officers continue to be employed, they will be employed on an at-will basis and their agreements shall automatically renew for successive one year terms, until and unless their employment is terminated.

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Each of the above Executive Employment Agreements contain termination provisions that dependent on the reason an executive is terminated, severance payments and the payment of COBRA premiums may be triggered.

Copies of the Executive Employment Agreements were filed as Exhibits 10.2, 10.3 and 10.4 to our current report on Form 8-K filed February 12, 2013.

EastBridge Employment Agreements with Norman Klein and Keith Wong

On February 6, 2013, EastBridge entered into employment agreements with Norman Klein and Keith Wong (each a “Subsidiary Employment Agreement,” collectively, the “Subsidiary Employment Agreements”).

Pursuant to Mr. Wong’s Subsidiary Employment Agreement with EastBridge, Mr. Wong is entitled to an annual base salary of $240,000. Mr. Wong is also eligible to participate in the Plan.

Pursuant to Mr. Klein’s Subsidiary Employment Agreement with EastBridge, Mr. Klein is entitled to an annual base salary of $180,000. Mr. Klein is also eligible to participate in the Plan.

The Subsidiary Employment Agreements are effective as of February 6, 2013 and shall continue for three years thereafter unless earlier terminated. After the three year term, Mr. Wong and Mr. Klein shall continue to be employed on an at-will basis and their employment agreements automatically renew for successive one year terms until terminated.

Each of the above Subsidiary Employment Agreements contain termination provisions dependent on the reason employment is terminated, severance payments and the payment of COBRA premiums may be triggered.

Copies of the Subsidiary Employment Agreements were attached as Exhibits 10.10 and 10.11 to our current report on Form 8-K filed February 12, 2013.

Deferred Compensation Arrangement with Former Officers

On February 5, 2013, the Company entered into a Deferred Compensation Agreement with Keith Wong and Norman Klein (the “Former Executives”), in which the Company agreed to: (i) pay its Former Executives certain accrued unpaid cash compensation consisting of $676,839 payable to Keith Wong and $459,300 payable to Norman Klein, plus aggregate accrued interest calculated at the simple rate of 12% per annum; and (ii) pay on August 31, 2013, a cash bonus payment of $204,723 to Mr. Wong and $152,577 to Mr. Klein. As of September 30, 2013, all such amounts were paid. A copy of the Deferred Compensation Agreement was attached as Exhibit 10.9 to our current report on Form 8-K filed February 12, 2013.

NOTE 17 – STOCK BASED COMPENSATION

Our stock-based compensation arrangements include grants of stock options and restricted stock awards under the 2009 Stock Option Plan (the “2009 Plan” and the “2011 Plan”), and certain awards granted outside of these plans. Refer to Note 12, “Stock Based Compensation,” in Item 8. “Financial Statements and Supplementary Financial Data” appearing in our Annual Report on Form 10-K for the year ended December 31, 2012, as amended, for further information on our stock-based compensation arrangements. The compensation cost that has been charged against income related to stock-based compensation (including shares issued for services and expense tune-ups and reversals described in Note 14) for the three and nine months ended September 30, 2013 was $27,727 and $2,904,047, respectively, and is included in general and administrative expense in our Condensed Consolidated Statements of Operations. As indicted in Note 4 and Note 14, the Company recognized expense of $180,063 and $735,979 associated with restricted stock awards during the three and nine months ended September 30, 2012, respectively. As of September 30, 2013, there was $1,466,795 of total unrecognized compensation cost related to an aggregate of 517,461 of non-vested stock option awards and $203,152 related to an aggregate of 44,992 of non-vested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.6 and 1.9 years for both the stock option and restricted stock awards, respectively.

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During the nine months ended September 30, 2013, the Company issued options under the 2011 Plan to purchase an aggregate of 560,600 shares of the Company's common stock to officers, directors and employees. The grant date fair value of these options was $1,852,440 using Black-Scholes option valuation models with the following assumptions: exercise price equal to the grant date stock price of $3.00 to $7.23, volatility 124%, expected life 6.0 years, and risk-free rate of 1.01% to 1.43%. The Company is expensing these options on a straight-line basis over the requisite service period.

The following table summarizes stock option activity as of December 31, 2012 and for the nine months ended September 30, 2013:

	Number of Units	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	-	$-	-	$-
Grants	560,600	3.75		
Forfeitures	-	-		
Exercises	-	-		
Outstanding at September 30, 2013	560,600	$3.75	9.4	$924,505
Vested and exercisable at September 30, 2013	48,611	$3.00	9.4	$116,667

The following table sets forth information about outstanding stock options as of September 30, 2013:

Exercise Price	Number of Shares Outstanding	Exerciseable
$ 3.00 - $4.95	355,300	48,611
$ 5.00+	205,300	-
	560,600	48,611

There were no outstanding stock options during the nine months ended September 30, 2012.

NOTE 18 – NET INCOME (LOSS) PER SHARE

Basic and diluted net loss per common share is computed on the basis of our weighted average number of common shares outstanding, as determined by using the calculations outlined below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss)	$576,893	$(1,394,033)	$(7,343,668)	$(3,758,985)

Weighted average shares of common stock	6,155,203	3,099,268	5,519,634	2,948,000
Dilutive effect of stock options	63,961	-	-	-
Restricted stock vested not issued	10,661	-	-	-
Common stock and common stock equivalents	6,229,825	3,099,268	5,519,634	2,948,000
Net income (loss) per basic share	$0.09	$(0.45)	$(1.33)	$(1.28)
Net income (loss) per diluted share	$0.09	$(0.45)	$(1.33)	$(1.28)

An aggregate of 153,600 options were excluded from the calculation of net income per diluted share for the three months ended September 30, 2013 because the effects were antidilutive based on the application of the treasury stock method. All stock options and restricted stock awards were excluded from the calculation of net income per diluted share for the nine months ended September 30, 2013 and the three and nine months ended September 30, 2012 because the Company incurred a net loss during those periods.

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NOTE 19 – INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period during which such rates are enacted.

The Company considers all available evidence to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), and projected taxable income in assessing the realizability of deferred tax assets. In making such judgments, significant weight is given to evidence that can be objectively verified. Based on all available evidence, in particular our three-year historical cumulative losses, recent operating losses and an expected U.S. pre-tax loss for the fiscal year ending December 31, 2013, we recorded a valuation allowance against our U.S. net deferred tax assets. In order to fully realize the U.S. deferred tax assets, we will need to generate sufficient taxable income in future periods before the expiration of the deferred tax assets governed by the tax code.

The following represent components of the current tax expense for the nine months ended September 30, 2013 while for the nine months ended September 30, 2012 the Company incurred losses and a full valuation allowance was applied no tax expense was recorded.

	September 30, 2013
Current tax expense:	
US federal	$407,553
US state	52,400
	459,953

The following represent components of net deferred tax assets at September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
Deferred tax assets:		
Net operating loss carryforwards (offshore)	$ 2,964,620	$ 1,684,217
Net operating loss carryforwards (US)	2,323,646	-
Stock compensation (US)	1,088,282	-
Stock options (US)	289,617	-
Deferred tax liabilities	-	-
Subtotal	6,666,165	1,684,217
Less: valuation allowance	(6,666,165)	(1,684,217)
Net deferred tax assets	$ -	$ -

In each period since inception, the Company has recorded a valuation allowance for the full amount of net deferred tax assets, as the realization of deferred tax assets is uncertain. As a result, the Company has not recorded any federal or state income tax benefit in the consolidated statements of comprehensive income (loss).

As of September 30, 2013, there was approximately $4.4 million of federal net operating loss carry forwards (“NOLs”), which utilization of $4.4 million is subject to a significant Section 382 limitation as noted below, and we had approximately $1.5 million of state NOLs. For federal tax purposes, the NOLs began expiring in 2024 and will continue expiring through 2033 to the extent they are not utilized. For state tax purposes, the NOLs will generally begin expiring in 2028 if not utilized. Additionally, as of September 30, 2013, there was approximately $11.9 million of NOL carry forwards for Chinese income tax purposes set to expire in 2018.

Under Section 382 of the Code, substantial changes in ownership may limit the amount of NOLs that can be utilized annually in the future to offset taxable income, if any. Specifically, this limitation may arise in the event of a cumulative change in ownership of more than 50% within a three-year period as determined under the Code. Any such annual limitation may significantly reduce the utilization of these NOLs before they expire. The Company’s ability to utilize federal NOLs created prior to the merger is significantly limited. Prior to the merger, CBMG Ltd. had completed a partial analysis of ownership changes under Section 382 of the Code to determine if a change in control had occurred. Based on this partial analysis, no change in control was identified. A complete formal analysis of ownership change would have to be performed in order to obtain certainty that a change in control had not occurred prior to the merger, which could further limit the utilization of pre-merger NOLs.

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Based on the above, we have estimated the amount of pre-merger federal NOLs that are available to offset postmerger income are limited to approximately $281k per year for 20 years, or cumulatively $4.4 million as of September 30, 2013. Post-merger, federal NOLs of approximately $0 million as of September 30, 2013 are not subject to this annual limitation.

The issuance of common stock in connection with the merger on February 6, 2013, together with the issuance of common stock in other transactions involving common stock, may have resulted in an additional ownership change, which could further limit the amount of the NOLs available to offset future taxable income, if any. In addition, any future equity financing transactions, private placements and other transactions that occur within the specified threeyear period may trigger additional ownership changes, which could further limit use of such NOLs.

The Company's effective tax rate differs from statutory rates of 35% for U.S. federal income tax purposes and 25% for Chinese income tax purposes due to the effects of the valuation allowance and certain permanent differences as it pertains to book-tax differences in the value of client shares received for services.

NOTE 20 – SEGMENT INFORMATION

The Company operates two reporting segments. The majority of all assets are contained in Biomedicine segment with the majority of the operations located in the People’s Republic of China. The Company’s Consulting segment provides services to foreign and domestic companies seeking access to the U.S. capital markets. As of September 30, 2013, substantially all revenue generating activities of the company are conducted in the United States. The Company intends to use gross profit as its measure of profit and loss for each reporting segment. The accounting principles applied at the operating segment level in determining gross profit are the same as those applied at the consolidated financial statement level. Our chief operating decision maker evaluates performance and allocates resources based on net sales, gross profit and working capital in each of the reporting segments.

		For the Three Months Ended September 30,			
		2013		2012	
		(in USD)	(% of Total)	(in USD)	(% of Total)
Biomedicine					
	Revenue	$ 95,365	3.0 %	$ 4,048	100.0 %
	Cost of services	158,280	100.0 %	7,060	100.0 %
	Gross profit	$ (62,915)	-2.1 %	$ (3,012)	100.0 %
Consulting					
	Revenue	$ 3,092,985	97.0 %	$ -	0.0 %
	Cost of services	-	0.0 %	-	0.0 %
	Gross profit	$ 3,092,985	102.1 %	$ -	0.0 %
Total:					
	Revenue	$ 3,188,350	100.0 %	$ 4,048	100.0 %
	Cost of services	158,280	100.0 %	7,060	100.0 %
	Gross profit	$ 3,030,070	100.0 %	$ (3,012)	100.0 %

		For the Nine Months Ended September 30,			
		2013		2012	
		(in USD)	(% of Total)	(in USD)	(% of Total)
Biomedicine					
	Revenue	$ 95,365	2.9 %	$ 277,411	100.0 %

	Cost of services		158,280		100.0	%		120,108	100.0	%
	Gross profit	$	(62,915	)	-2.0	%	$	157,303	100.0	%
Consulting										
	Revenue	$	3,204,419		97.1	%	$	-	0.0	%
	Cost of services		-		0.0	%		-	0.0	%
	Gross profit	$	3,204,419		102.0	%	$	-	0.0	%
Total:										
	Revenue	$	3,299,784		100.0	%	$	277,411	100.0	%
	Cost of services		158,280		100.0	%		120,108	100.0	%
	Gross profit	$	3,141,504		100.0	%	$	157,303	100.0	%

NOTE 21 – SUBSEQUENT EVENTS

On December 13, 2013, Cellular Biomedicine Group, Inc. (the "Company") conducted an initial closing of a financing transaction under which it sold an aggregate of 687,762 shares (the "Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), to selected investors (the "Investors") at $6.70 per share, for total gross proceeds of approximately $4,608,005. The Shares were sold pursuant to seperate subscription agreements between the Company and each Investor. The Company expects to have additional closings with respect to the financing. Additional information regarding this financing appears in the Company's 8-K filed on December 16, 2013.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis summarizes the significant factors affecting our results of operations, financial condition and liquidity position for the three and nine months ended September 30, 2013 and 2012, and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this filing.

This report contains forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Factors that might affect our forward-looking statements include, among other things:

- overall economic and business conditions;
- the demand for our products and services;
- competitive factors in the industries in which we compete;
- the results of our pending and future litigation;
- the emergence of new technologies which compete with our product and service offerings;
- our cash position and cash burn rate;
- other capital market conditions, including availability of funding sources;
- the strength of our intellectual property portfolio; and
- changes in government regulations in China and the U.S. related to our industries.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expe “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions. These statements our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading “Risk Factors” included in other reports we file with the Securities and Exchange Commission. Also, these forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement.

Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

OVERVIEW

Recent Developments

As of the date of this report, our biomedicine business is engaged in two clinical trials for cell therapy candidates:

haMPC (Human Adipose-derived Mesenchymal Progenitor Cells) therapy for Knee Osteoarthritis (KOA): www.clinicaltrials.gov #NCT01809769
TC-DC Therapy for Hepatocellular Carcinoma (liver cancer): www.clinicaltrials.gov #NCT01828762

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We have completed our Phase I/IIa clinical trial for Knee Osteoarthritis (KOA) and have received approval to conduct a Phase IIb clinical trial. The KOA validation from Renji Hospital and its regulatory offices of our Phase I/IIa data package showed a high safety profile and positive results reflected by the osteoarthritis indices and pain indices. The final report of the trial will be announced before the end of the year. We have completed patient enrollment for our Phase I trial to evaluate the safety and preliminary efficacy of TC-DC (Tumor Stem Cell Specific Dendritic Cell) therapy for hepatocellular carcinoma (HCC), the most common type of liver cancer. The trial is designed to evaluate the safety and efficacy in lowering the incidence of tumor recurrence and metastasis by means of autologous immune cell therapy in primary HCC patients following standard tumor resection and TACE chemotherapy. We are on schedule to complete the Phase I trial this year.

With regard to our intellectual property portfolio, in the first quarter of 2013 we secured patents relating to the use of allogeneic stromal vascular fraction (SVF) or mesenchymal progenitor cells for the prevention, and treatment of Osteoarthritis and a patent for using allogeneic stromal vascular fraction and haMPCs or mesenchymal progenitor cells for the prevention and treatment of Rheumatoid Arthritis.

In the next 12 months, we aim to accomplish the following in our biomedicine business:

- Approval of a Stromal Vascular Fraction (SVF) kit by the SFDA (SVF kits are 'toolboxes' used by physicians to safely extract cell samples from patients).

- Approval of an adipose tissue transportation kit as a medical device (these kits permit safe and effective transportation of extracted or processed cells).

- Completion of KOA Phase I trial safety data and advanced staggered filing of Phase II trial.

- Preliminary HCC Phase I trial results.

- Approval of additional pending Patent Cooperation Treaty (PCT) patents.

For both the three and nine months ended September 30, 2013 we generated $95,365 in revenue from the sales of enzyme reagent kits. For the three and nine months ended September 30, 2012, the biomedicine business generated $4,048 and $277,411, respectively, in revenue from the sales of enzyme reagent kits. We expect our biomedicine business to generate revenues primarily from the development of therapies for the treatment of Knee Osteoarthritis in 2014 and Hepatocellular Carcinoma in 2015 or 2016.

Our operating expenses for the three and nine months ending September 30, 2013 were in line with management’s plans and expectations. We incurred an increase in total operating expenses of approximately $1,221,000 for the three months ended September 30, 2013 as compared to the three months ended September 30, 2012, which is attributable to general expense increases in 2013 as compared to 2012 associated with the development of our biomedicine business, the effects of our merger transaction in 2013, and expenses related to being a public company. We incurred an increase in total operating expenses of approximately $6,889,000 for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012 due primarily to the growth in our business and the effects of the merger.

In addition, for the nine months ended September 30, 2013 we issued 342,360 shares of common stock, for which we recorded an expense of $1,694,682, based on the quoted market prices on the dates of issuance. These issuances were made to certain pre-merger private investors in Cellular Biomedicine Group Limited (CBMG BVI) while it was a privately-held corporation. CBMG BVI agreed that if it did not achieve ten Phase II clinical trials by March 31, 2013 it would issue certain contingent shares to its private investors. This contingent share obligation to investors was assumed by the Company in the merger. On March 29, 2013 the Company issued the contingent shares to these pre-merger investors as required.

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Corporate History

Merger Between CBMG and EastBridge Investment Group Corporation

On November 13, 2012, EastBridge Investment Group Corporation (then an Arizona corporation) signed an agreement to merge with Cellular Biomedicine Group Limited, at that time a British Virgin Islands Company (CBMG BVI). Under the merger agreement, EastBridge's wholly-owned merger subsidiary agreed to merge with CBMG BVI, with CBMG BVI as the surviving entity. As a result of the merger, which was consummated on February 6, 2013, Cellular Biomedicine Group Ltd. became the wholly-owned subsidiary of EastBridge Investment Group Ltd. The transactions under the merger agreement as amended are referred to as the "Merger".

Also in connection with the Merger, we created a new Delaware subsidiary called EastBridge Investment Corp. ("EastBridge Sub"). Pursuant to a Contribution Agreement by and between EastBridge and EastBridge Sub dated February 6, 2013 (the "Contribution Agreement"), EastBridge contributed all of its current assets and liabilities to a newly formed, wholly-owned subsidiary of EastBridge, named "EastBridge Investment Corp.," which will continue the current business and operations of EastBridge. A copy of the agreement and plan of merger, and all related exhibits, were previously filed on Form 8-K filed on February 12, 2013. For additional information regarding our Merger, please refer to our current report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2013 as amended on April 24, 2013, including all subsequent amendments, which reports are incorporated by reference.

Effective on March 5, 2013 we changed our corporate name to "Cellular Biomedicine Group, Inc." As of the date of this report, our primary business is in the field of biomedicine.

Biomedicine Business Overview

Our biomedicine business was founded in 2009 as a specialty biomedicine group by a team of experienced Chinese-American executives, scientists and doctors. In 2010 we established a manufacturing facility in Wuxi, and in 2012 we established a manufacturing facility in Shanghai, each of which are compliant with U.S. FDA "good manufacturing practice" (GMP) standard protocols. Our focus has been to monetize the rapidly growing health care market in China by marketing and commercializing stem cell and immune cell therapeutics, related tools and products from our patent-protected proprietary cell technology developed by our research and development team, as well as by utilizing exclusively in-licensed intellectual properties.

Our treatment focal points are cancer, neurodegenerative and other degenerative diseases comprised of Knee Osteoarthritis (KOA), Spinal Muscular Atrophy (SMA), Amyotrophic Lateral Sclerosis (ALS) and Stroke.

In the cancer field, our in-licensed product candidate Tumor Cell Targeted Dendritic Cell (TC-DC) has successfully completed a U.S. FDA Phase II clinical trial for the treatment of Metastatic Melanoma at the Hoag Medical Center in California. Under applicable international reciprocity procedures we are utilizing data generated in a U.S. Phase II clinical trial in an analogous China-based SFDA Phase I/II Clinical Trial for the treatment of Liver Cancer. Management believes we will be able to leverage skin cancer data produced in ongoing trials in the U.S., and apply it toward advancing our product candidate for the treatment of liver cancer and other cancer-related indications.

In addition, we plan to begin pre-clinical studies on the use of allogeneic Mesenchymal Stem Cells (MSC) for the treatment of Lupus and Rheumatoid Arthritis. We have also exclusively in-licensed Motor Neuron Precursor Cell and Neuronal Cell technology and plan to launch trials for its use in the treatment of ALS, SMA, and Stroke.

As the cancers which our potential therapies target all have relatively low survival rates, annual incidence (number of new cases) is roughly equivalent to existing served available market. If a disease span is long, the number of patients will be accumulative and larger than new cases per year. There are 300,000 new cases of Hepatocellular Carcinoma (HCC) per year in China. There are 30,000 new cases of Metastatic Melanoma, with those diagnosed to be Stage IV having a median survival time of 18 months. Additionally, there are 15 million people aged 60 or older with KOA in China. For Spinal Muscular Atrophy Type I (SMA-I), there are about 1,000 newborns with SMA-I disease in China annually. The median life span of these children is less than 6 months. Adult incidence is approximately 2 million in China.

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Our plan calls for 120, 60 and 30 patients respectively in clinical trials for the treatment of each of the cancers, KOA, and SMA. We have employed a multinational Contract Research Organization (CRO) to manage trial design and to minimize errors and delays. The first safety/efficacy milestone report for the Cancer and KOA clinical trials are scheduled in the third quarter of 2013. The first potential patients relating to these indications are expected in the first half of 2014.

We have a long term joint venture with California Stem Cell Inc. (CSC). Under our joint venture arrangement we hold an exclusive license from CSC to develop and market Cancer (TC-DC), Motor Neuron Precursor Cells (MNP) and Neuronal Precursor Cells (NP) in greater China and Taiwan. These methodologies enable us to conduct certain clinical trials and commercialization. Our TC-DC therapy utilizes dendritic cells that have been taught the unique “signature” of the patient’s cancer, in order to trigger an effective immune response against cancer stem cells, the root cause of cancer metastasis and recurrence. We have a process to develop MNP and NP cells with high purity levels, validated by synapse formation, and have shown functional innervation with human muscle cells. These products enable us to conduct certain clinical trials and pursue commercialization of TC-DC therapy, and explore the development of new therapies for a variety of neurodegenerative diseases. Our four cellular technology platforms (TC-DC, adult adipose-derived, umbilical cells, and neural stem cells) enable us to create multiple cell formulations to develop potential treatments for specific medical conditions and diseases, as well as applying single cell types in a specific treatment protocol.

Our facilities are certified to meet the international standards NSF/ANSI 49, ISO-14644, ANSI/NCSL Z-540-1 and 10CFR21, as well as Chinese SFDA standards CNAS L0221. In addition to standard protocols, we use proprietary processes and procedures for manufacturing our cell lines comprised of:

- Extraction, cultivation and banking processes that insure cell preservation and viability
- DNA identification for stem cell ownership
- Bio-safety testing at independently certified laboratories.

Our Strategy

Our biomedicine business is in the development stage. Presently we have two autologous cell therapy candidates undergoing clinical trials in China, HCC and KOA. If and when these therapies gain regulatory approval in the PRC, we will be able to market and offer them for clinical use. Although our biomedicine business was very recently organized, our technologies have been in development for decades, and our focus is on the latest translational stages of product development, principally from the pre-clinical trial stage to regulatory approval and commercialization of new therapies.

Our strategy is to develop safe and effective cellular medicine therapies for indications that represent a large unmet need in China, based on technologies developed both in-house and obtained through licensing arrangements with other companies. Our near term objective is to pursue successful clinical trials in China for our KOA application, followed by our HCC therapy. We intend to utilize our comprehensive cell platform to support multiple cell lines to pursue multiple therapies, both allogeneic and autologous. We intend to apply U.S. Standard Operating Procedures (SOPs) and protocols while complying with Chinese regulations, while owning, developing and executing our own clinical trial protocols. We plan to establish domestic and international joint ventures or partnerships to set up cell laboratories and/or research facilities, in-license technology from outside of China, and build affiliations with hospitals, to develop a commercialization path for our therapies, once approved. We intend to use our first-mover advantage in China, against a backdrop of enhanced regulation by the central government, to differentiate ourselves from the competition and establish a leading position in the China cell therapeutic market.

CBMG initially plans to use its centralized manufacturing facility located in Shanghai to service multiple hospitals within 200Km of the facility. We aim to complete clinical trials for our KOA and HCC therapy candidates via the medical technology pathway through designated hospitals. Our goal is to first obtain permission for commercial use of the therapies from the Ministry of Health, for the respective hospitals in which the trials are being conducted. CBMG plans to scale up its customer base by qualifying multiple additional hospitals for the post-trial use of therapies, once approved, by following guidelines administered by MOH.

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Additionally, CBMG participates in the formulation of stem cell policy in China as a member of the Class III Medical Technology Approval Committee within the Chinese Medical Doctor's Association (CMDA), an advisory body for the State Food & Drug Administration (SFDA) and Ministry of Health (MOH) on stem cell policy and regulatory affairs. We believe that few competitors in China are as well-equipped as we are in clinical trial development, diversified U.S. FDA protocol compliant manufacturing, regulatory compliance and policy making participation, as well as a long-term presence in the U.S. with U.S.-based management and investor base.

Our Technology

CBMG's Cellular Biomedicine Technology Platforms

In order to expedite fulfillment of patient treatment we have been actively developing technologies and products with a strong IP fortification, including human adipose-derived mesenchymal progenitor cells (haMPC), derived from fat tissue, for the treatment of Knee Osteoarthritis (KOA) and other indications, and human umbilical cord derived mesenchymal progenitor cells (huMPC) for the treatment of Systemic Lupus Erythematosus (SLE) and other indications. We have also been actively engaging in in-license partnerships with world leading scientists and companies, including tumor cell specific dendritic cells (TC-DC) therapy for Hepatocellular Carcinoma (Liver Cancer) treatment. In addition, through our joint venture arrangement with California Stem Cells, Inc., we have rights to develop cell therapies based on motor neuron precursor cells (MNP) and neuronal precursor cells (NP).

Our proprietary and patent-protected production processes and clinical protocols enable us to produce raw material, manufacture cells, and conduct cell banking and distribution. Our proprietary cell lines (haMPC, huMPC, TC-DC, MNP, as further discussed below) provide us with the ability to customize specialize formulations to address complex diseases and debilitating conditions.

We have been developing disease-specific clinical treatment protocols. These protocols are designed for each of these proprietary cell lines (haMPC, huMPC, TC-DC, MNP) to address patient-specific medical conditions. These protocols include medical assessment to qualify each patient for treatment, evaluation of each patient before and after a specific therapy, cell transplantation methodologies including dosage, frequency and the use of adjunct therapies, potential adverse effects and their proper management.

The protocols of haMPC therapy for knee osteoarthritis (KOA) and TC-DC therapy for hepatic cellular carcinoma (liver cancer) have been approved by the Institutional Review Board of qualified hospitals for clinical trials. Once the trials are completed, the clinical data will be analyzed by a qualified third party statistician and reports will be filed by the hospitals to regulatory agencies for approval for use in treating patients.

Our Cellular Technology Platforms

Human Adipose-Derived Mesenchymal Progenitor Cells (haMPC)

Adult mesenchymal stem cells can currently be isolated from a variety of adult human sources, such as liver, bone marrow, and adipose (fat) tissue. The advantages in using adipose tissue (as opposed to bone marrow or blood) are that it is a one of the richest sources of pluripotent cells in the body, the easy and repeatable access to fat via liposuction, and the simple cell isolation procedures that can begin to take place even on-site with minor equipment needs. The procedure we are testing for KOA involves extracting a very small amount of fat using a minimally invasive extraction process which takes up to 20 minutes, and leaves no scarring. The haMPC cells are then processed and isolated on site, and injected intra articularly into the knee joint with ultrasound guidance.

These haMPC cells are capable of differentiating into bone, cartilage, tendon, skeletal muscle, and fat under the right conditions. As such, human adipose-derived Mesenchymal Progenitor Cells (haMPC's) are an attractive focus for medical research and clinical development. Importantly, we believe both allogenic and autologously sourced haMPC's may be used in the treatment of disease. Numerous studies have provided preclinical data that support the safety and efficacy of allogenic and autologously derived haMPC, offering a choice for those where factors such as donor age and health are an issue.

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Additionally, certain disease treatment plans call for an initial infusion of these cells in the form of Stromal Vascular Fraction (SVF), an initial form of cell isolation that can be completed and injected within ninety minutes of receiving lipoaspirate. The therapeutic potential conferred by the cocktail of ingredients present in the SVF is also evident, as it is a rich source for preadipocytes, mesenchymal stem cells, endothelial progenitor cells, T regulatory cells and anti-inflammatory macrophages.

Human Umbilical Cord Derived Mesenchymal Progenitor Cells (huMPC)

We have developed a stem cell line called human umbilical cord derived mesenchymal progenitor cells (huMPC). These huMPCs have a tremendous capacity for self-renewal whilst also maintaining their multipotent ability to differentiate into osteoblasts, adipocytes, and chondrocytes as well as myocytes and neurons.

The youngest, most potent huMPCs are obtained from umbilical cord tissue, called Wharton's jelly, which is normally discarded as medical waste after the birth of a newborn. This tissue contains a much higher concentration of huMPC's compared to cord blood. Researchers have shown that allogeneic huMPCs have potential therapeutic effects in cerebral palsy, Autism, cardiovascular diseases, spinal cord injury, autoimmune diseases, cartilage damage, Alzheimer's, Parkinson's, and many other degenerative diseases. CBMG has built a huMPC line with a high safety profile and preliminary evidence suggests therapeutic use in systemic lupus erythematosus (SLE) and cerebral palsy (CP).

Tumor Cell Specific Dendritic Cells (TC-DC)

Recent scientific findings indicate the presence of special cells in tumors that are responsible for cancer metastases and relapse. Referred to as "cancer stem cells", these cells make up only a small portion of the tumor mass. The central concept behind Tumor Stem Cell Specific Dendritic Cell (TC-DC) therapy is to immunize against these cells. TC-DC therapy takes a sample of the patient's own purified and irradiated cancer cells and combines them with specialized immune cells, thereby 'educating' the immune cells to destroy the cancer stem cells from which tumors arise. We believe the selective targeting of cells that drive tumor growth would allow for effective cancer treatment without the risks and side effects of current therapies that also destroy healthy cells in the body.

Motor Neuron Precursor Cells (MNP) and Neuronal Precursor Cells (NP)

We have fully licensed and transferred technology from California Stem Cell to produce clinical-quality motor neuron and neuronal progenitor cells from human embryonic stem cells (heSC's). These stem cell-derived motor neurons have potential applications in treating amyotrophic lateral sclerosis (motor neuron disease, also known as Lou Gehrig's disease), a condition caused by a debilitating rapid progressive weakness, muscle atrophy and loss of motor function; and spinal muscular atrophy (SMA), a group of debilitating disorders characterized by degeneration of lower motor neurons situated in the lower spinal cord, causing atrophy of various muscle groups in the body. Presently none of these conditions or disorders have any known cure.

Our Targeted Indications and Potential Therapies

Knee Osteoarthritis (KOA)

We are currently conducting a Phase I clinical trial for the treatment of knee osteoarthritis (KOA). Enrollment of patients is ongoing, and is expected to be completed by May 2013. The treatment period for each patient is three months. Osteoarthritis (OA) is a degenerative disease of the joints. KOA is one of the most common types of OA. Pathological manifestation of OA is primarily local inflammation caused by immune response and subsequent damage of joints. Restoration of immune response and joint tissues are the objective of therapies.

Fifty-three percent of KOA patients will degenerate to the point of disability. Conventional treatment usually involves invasive surgery with painful recovery and physical therapy. Currently, patients suffering from osteoarthritis in China number approximately 40 million people. Of these, approximately 70% suffer from knee osteoarthritis. As drug-based methods of management are ineffective, some 1.5 million patients with this disability will degenerate to the point of requiring artificial joint replacement surgery every year. However, only forty thousand will actually be able to undergo replacement surgery, leaving the majority of patients to suffer from a life-long disability due to lack of effective treatment.

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Human adipose-derived mesenchymal progenitor cells (haMPC's) are currently being considered as a new and effective treatment for osteoarthritis, with a huge potential market. In 2009, the worldwide market for orthopedic, tissue repair and cell therapy related products reached $3.6 billion, and sales are expected to reach $5.5 billion in 2014.

In order to bring haMPC-based KOA therapy to market, our market strategy is to: (a) establish regional laboratories that comply with cGMP standards in Shanghai and Beijing that meet Chinese Ministry of Health (MOH) approval; and (b) file joint applications with Class AAA hospitals near our laboratories to use haMPC's to treat knee osteoarthritis in a clinical trial setting.

Our competitors are pursuing treatments for osteoarthritis, such as Zimmer, Inc., which is developing a knee cartilage implant. However, unlike their approach, our KOA therapy is not surgically invasive – it uses a small amount (50ml) of adipose tissue obtained via liposuction from the patient, which is cultured and re-injected into the patient. Stromal Vascular Fraction (SVF) is prepared using 25 millimeters of adipose tissue for immediate injection into the knee area, with the remaining tissue to be further processed to purify, expand and banked haMPCs for additional injections 1 and 3 months later. The injections are designed to induce the body's secretion of growth factors promoting immune response and regulation, and regrowth of cartilage. The down-regulation of the patient's immune response is aimed at reducing and controlling inflammation which is a central cause of KOA.

We believe our proprietary SVF purification method and subsequent haMPC proliferation and processing know-how will enable haMPC therapy to be a low cost and relatively safe and effective treatment for KOA. Additionally, banked haMPCs can continue to be stored for additional use in the future.

We entered into a clinical trial agreement with Renji Hospital in affiliation with Shanghai Jiaotong University on January 28, 2013 to begin a Phase I/II clinical trial in using haMPC's to apply to KOA indications in accordance with Chinese regulatory requirements. The objective of this clinical trial is to evaluate efficacy and safety of this therapy, with results primarily measured by the WOMAC score (developed in 1982 by at Western Ontario and McMaster Universities), a set of standardized metrics used by health professionals to evaluate the condition of patients with osteoarthritis. Upon the completion of Phase II of the clinical trial, in accordance with the terms of the clinical trial agreement, we will retain the intellectual property rights to all confidential information and other information, including but not limited to invention, patent and technical know-how. We expect to use such information and then be free to partner with other Class AAA hospitals and apply for MOH approval in the use of haMPC's in KOA therapy. Before the conclusion of the clinical trial, we expect to file a joint technology license application with selected hospitals with MOH for haMPC-based KOA therapy. Hospitals that have received license approval may then offer haMPC-based therapy as a product, with haMPC preparation and production being done by us, with the hospitals receiving appropriate cell therapy fees determined by local government guidelines. We plan to charge a cell therapy technology service fee to the hospital.

In order to expand our KOA therapy, new Class AAA hospitals will need to successfully complete a confirmatory clinical trial (post-market study) involving a total of 10-20 patients, in order to jointly apply to MOH for a license to carry out haMPC-based KOA therapy. If its potential KOA therapy candidate successfully passes through clinical trials, we intend to build a network of Class-AAA hospitals for clinical applications by introducing and encouraging other hospitals to engage in post-market studies.

Independent research and development work can be done with our haMPC isolation and culture kit, as well as standardizing technical training and the clinical treatment program, with a view toward enhancing the quality of KOA cell therapy technology.

Hepatocellular Carcinoma (HCC)

We have exclusive rights to develop and market tumor cell-dendritic cell (TC-DC) therapy for late stage HCC in greater China. In January 2013, we commenced a Phase I clinical trial with PLA 85 hospital in Shanghai, for our HCC therapy. Enrollment of patients is ongoing, and is expected to be completed by May 2013. The treatment period in this trial is six months. The purpose of this trial is to evaluate the safety of our autologous immune cell therapy in primary hepatocellular carcinoma (HCC) patients following resection (surgical tumor removal) and Transarterial Chemo Embolization (TACE) Therapy, a type of localized chemotherapy technique.

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Recent scientific findings indicate that tumors contain specialized cells that allow for the generation of new tumors. Named cancer stem cells, these cells are responsible for both tumor metastases and recurrence. The central concept behind our technology is to immunize against these cancer stem cells.

A number of our competitors are developing cancer treatment therapies, such as Promethera Biosciences of Belgium, and Beike. However unlike our competitors, we utilize the liver cancer stem cells as an antigen – these proliferating, self-renewing liver cancer stem cells provide a clean source of tumor antigens, without contamination from extraneous cells. The patient's immune cells are isolated and trained to recognize, attack and eliminate the cancer cells.

Tumor stem cell specific dendritic cell (TC-DC) therapy was developed by Dr. Robert Dillman through more than 20 years of clinical research at the Hoag Cancer Center, California. The core idea of the TC-DC technique is to activate a patient's immune system by exposure of cancer stem cell antigens to the key antigen presenting cells, dendritic cells (DC). In order to expose cancer stem cell antigens effectively, cancer tissue from patients is digested and its cancer stem cell is expanded and co-cultured with the patient's own DCs in vitro. Together with GM-CSF the patient's DCs are loaded with fixed cancer stem cells and are administered back to the patient in order to boost the patient's immune system to recognize cancer stem cell antigens and then effectively eliminate them.

The safety and efficacy profiles of TC-DC are outstanding based on Phase II clinical trials of TC-DC therapy for metastatic melanoma (see Dillman, R.O., et al. 2009. Phase II Trial of Dendritic Cells Loaded with Antigens from Self-Renewing, Proliferating Autologous Tumor Cells as Patient-Specific Antitumor Vaccines in Patients with Metastatic Melanoma: Final Report. Cancer Biotherapy and Radiopharmaceuticals, Volume 24 Number 3.) The most recent Phase II clinical trial of metastatic melanoma has shown five-year survival rate of 54%, and this therapy has been shown to significantly reduce the rate of tumor recurrence and metastasis, improve patient longevity and quality of life.

According to existing laws in the PRC, this technology is considered a Category III medical technology and is managed and approved by the Ministry of Health. The current market strategy is for us to contract with Class-AAA hospitals to set up either on-site or localized cGMP standard cell biology laboratories, and apply to MOH for Phase I/II clinical trials to use TC-DC therapy for liver cancer. Upon completion of these clinical trials, selected Class-AAA hospitals will jointly file applications to MOH for a license to treat liver cancer using TC-DC technology. For hospitals that have received a license, we will provide liver cancer targeted DC cells, with the hospital charging appropriate cell therapy fees to the patient as determined by local government guidelines. We expect to derive revenues from service fees paid by hospitals.

One of the primary difficulties in administering effective cancer therapy is in the uniqueness of the disease – no two cancers are the same. Importantly, we source both immune and cancer cells directly from the patient, and our completely autologous approach to cancer therapy means that each dose is specific to each individual.

Using our cell production platform, we have the ability to process, prepare and produce cancer stem cells directly from patient tissue. These cells are then purified and irradiated, and combined with specialized immune cells to destroy the cancer stem cells from which tumors arise. This therapy is delivered to the patient in the form of a minimally invasive subcutaneous injection.

After receiving resected tumor tissue at our lab, the first step is to perform an enzyme digest that breaks down the solid tumor into individual cells. These cells then enter a process and purification stage, where contaminating cells are eliminated. The next step is to establish a cell line in the expansion phase, which typically takes 6 weeks, depending on the quality and proliferation rate of the sample. Also during this stage, the patient undergoes a leukapheresis procedure in which circulating white blood cells are extracted, and further processed into dendritic cells in the lab. In the last step, the patient's dendritic cells are combined with irradiated cancer stem cells and thus learn the particular cancer’s “signature”, and finally these dendritic cells are delivered over a series of subcutaneous injections.

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Systemic Lupus Erythematosus

Systemic lupus erythematosus, commonly known as lupus, is an incurable disease that turns the body's immune system against itself, eating away at skin, kidneys, nervous system and joints. The current standard of treatment in more severe cases of lupus involves the use of immunosuppressive drugs to control the disease, but often leads to many negative side-effects making this treatment option difficult for the patient by affecting quality of life, as immunosuppressant therapy is often life-long.

Recent studies have shown that human adipose-derived mesenchymal progenitor cells (haMPC's) have the capability to modulate and suppress the immune response in tissue where inflammation is occurring. As haMPC's have also been proved to have little to no threat of rejection from the host's immune system, these cells have the potential to become the basis of a new therapy for lupus patients.

Spinal Muscular Atrophy (SMA)

Spinal Muscular Atrophy (SMA) is the result of a genetic mutation that causes the death of motor neurons in the spinal cord, resulting in weakness and wasting of the muscles in the arms and legs of infants and children. SMA Type I, the most severe form of the disease, is evident at birth or within the first few months, and babies with this condition in many cases never acquire the power, strength or endurance to sit independently, to crawl, or to walk. SMA affects all the muscle systems in the body, and the vast majority of babies diagnosed with SMA Type I do not live past the age of two without being placed on permanent life support. From the onset of this disease, patients generally continue to deteriorate over time, and there is no known cure.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following summarizes critical estimates made by management in the preparation of the consolidated financial statements.

Stock-Based Compensation

We periodically use stock-based awards, consisting of shares of common stock or stock options, to compensate certain officers and consultants. Awards are expensed on a straight line basis over the requisite service period based on the grant date fair value, net of estimated forfeitures, if any.

Options - The compensation cost that has been charged against income related to stock-based compensation for the three and nine months ended September 30, 2013 was $191,904 and $385,645, respectively, and is included in general and administrative expense in our Condensed Consolidated Statements of Operations. There was no such compensation cost for the three and nine months ended September 30, 2012. As of September 30, 2013, there was $1,466,795 of total unrecognized compensation cost related to non-vested stock option awards. That cost is expected to be recognized over a weighted-average period of 1.9 years for the stock option awards.

Restricted shares – The compensation expense that has been charged against income related to stock-based compensation for the three and nine months ended September 30, 2013 was $180,084 and $1,159,986, respectively and is included in general and administrative expense in our Condense Consolidated Statement of Operations. As of September 30, 2013, a total of 44,992 restricted shares awards have been granted that remain unearned. As of September 30, 2013, total unrecognized compensation cost related to unvested awards was $203,152 for which the weighted average period over which such compensation cost is to be recognized is 1.6 years.

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Revenue Recognition

We utilize the guidance set forth in the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104, regarding the recognition, presentation and disclosure of revenue in financial statements.

We engage in listing contracts with our clients which provide for the payment of fees, either in cash or equity, upon the achievement of certain milestones by our clients with our assistance, including the successful completion of a financial statement audit, the successful listing on a national stock exchange and the maintenance of ongoing Exchange Act registration requirements with the Securities and Exchange Commission. In some instances, payment may be made in advance of performance; however, such payment is often refundable in the event that milestones are not reached. We recognize revenue on a systematic basis as milestones are reached in accordance with FASB's ASC 605 Revenue Recognition Update No. 2009-13. Such guidance stipulates that revenue be recognized for individual elements in a multiple deliverable arrangement using the relative selling price method. We rely on internal estimates of the relative selling price of each element as objective third-party evidence is unattainable.

For its Biomedicine segment, the Company recognizes revenue when pervasive evidence of an arrangement exists, the price is fixed and determinable, collection is reasonably assured and delivery of products or services has been rendered.

Income Taxes

Income taxes are accounted for using the asset and liability method as prescribed by ASC 740 Income Taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized.

A full valuation allowance has been established against the majority of net deferred tax assets as of September 30, 2013 based on estimates of recoverability. While we have optimistic plans for our business strategy, we determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our business model.

Results of Operations

Below is a discussion of the results of our operations for the three and nine months ended September 30, 2013 and 2012. These results are not necessarily indicative of result that may be expected in any future period. Our prospects should be considered in light of the risks, expenses and ifficulties that we may encounter. We may not be successful in addressine these risks and difficulties.

As of February 6, 2013, the Company (formerly "EastBridge Investment Group Corporation") merged with Cellular Biomedicine Group, Ltd., with Cellular Biomedicine Group, Ltd. being the accounting acquirer thus resulting in a reverse merger for accounting purposes. Accordingly, our accompanying financial statements are reported on a consolidated basis subsequent to February 6, 2013, but reflect solely the operations of Cellular Biomedicine Group, Ltd. (a British Virgin Islands corporation) prior to the date of acquisition. Except where indicated, the following analysis compares the results of operations of the consolidated company for the three and nine months ending September 30, 2013, with the results of operations (unaudited) of Cellular Biomedicine Group, Ltd. for the three and nine months ended September 30, 2012. Please refer to Note 2 of our financial statements for further details regarding the basis of presentation.

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Comparison of Three Months Ended September 30, 2013 to Three Months Ended September 30, 2012

Although the descriptions in the results of operations below reflect our operating results as set forth in our Condensed Consolidated Statement of Operations filed herewith, we are presenting consolidated pro forma information below to reflect the impacts of the business combination as if the transaction had occurred at the beginning of the earliest period presented.

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	CBMG	EastBridge	Pro forma	CBMG	EastBridge	Pro forma
	As stated	Pro forma Adjustment	Consolidated	As stated	Pro forma Adjustment	Consolidated
Revenues	$ 3,188,350	$ -	$ 3,188,350	$ 4,048	$ 5,887,057	$ 5,891,105
Cost of goods sold	158,280	-	158,280	7,060	-	7,060
Gross profit	3,030,070	-	3,030,070	(3,012)	5,887,057	5,884,045
Operating expenses:						
General and administrative	1,821,299	-	1,821,299	609,947	301,190	908,137
Selling and marketing	23,202	-	23,202	124,711	21,906	146,617
Research and development	196,524	-	196,524	687,745	-	687,745
Total operating expenses	2,041,025	-	2,041,025	1,419,403	323,096	1,742,499
Operating income (loss)	989,045	-	989,045	(1,422,415)	5,563,961	4,141,546
Other income (expense)						
Interest expense	-	-	-	-	(501)	(501)
Interest income	247	-	247	140	100	240
Gain on extinguishment of debt	-	-	-	-	-	-
Other expense	(25,905)	-	(25,905)	28,242	(400,000)	(371,758)
Total other income (expense)	(25,658)	-	(25,658)	28,382	(400,401)	(372,019)
Income (loss) before taxes	963,387	-	963,387	(1,394,033)	5,163,560	3,769,527
Income tax provision	(386,494)	-	(386,494)	-	-	-
Net income (loss)	$ 576,893	$ -	$ 576,893	$ (1,394,033)	$ 5,163,560	$ 3,769,527
Other comprehensive income (loss):						
Cumulative translation adjustment	24,269	-	24,269	$ 6,966	-	6,966
	(210,420)	-	(210,420)	-	(42,847)	(42,847)

Unrecognized loss on investments						
Comprehensive net income (loss)	$ 390,742	$ -	$ 390,742	$ (1,387,067)	$ 5,120,713	$ 3,733,646
Earnings per share:						
Basic	$ 0.09	$ -	$ 0.09	$ (0.47)	$ 3.30	$ 0.81
Diluted	$ 0.09	$ -	$ 0.09	$ (0.47)	$ 3.30	$ 0.81
Weighted average common shares outstanding:						
Basic	6,155,203	-	6,155,203	3,099,268	1,566,285	4,665,553
Diluted	6,229,825	-	6,229,825	3,099,268	1,566,285	4,665,553

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Results of Operations

Revenues

Three Months Ended September 30,	Revenues	Change from Prior Year	Percent Change from Prior Year
2013	$3,188,350	$3,184,302	78,664 %
2012	$4,048		

During the third quarter of 2013, we recognized revenue of $3,092,985 in our consulting business primarily attributable to the listing of Arem Pacific Corporation, which resulted in revenue recognition from the receipt of 1,000,000 shares of the client's common stock. We have not yet recognized revenue associated with an additional 12 million shares of Arem stock that are due to be received in the remainder of 2013 and 2014. Our biomedicine segment recorded limited revenue as we are in the clinical trial phase for the development and commercialization of our initial cell therapy candidates.

During the third quarter of 2012, we derived $4,048 of revenue from our biomedicine segment related to the sales of enzyme reagent kits. No revenue is presented from the consulting segment during the third quarter of 2012 due to the effects of the reverse merger on our financial statement presentation.

Cost of Sales

Three Months Ended September 30,	Cost of Sales	Change from Prior Year	Percent Change from Prior Year
2013	$158,280	$151,220	2,142 %
2012	$7,060		

All cost of sales are reflective of our biomedicine segment and are associated with sales of enzyme reagent kits. Although we had significant revenue in our consulting segment, all costs associated with our consulting business, consisting primarily of salaries and wages of our staff and other professional fees, are expensed as general and administrative costs when incurred.

General and Administrative Expenses

Three Months Ended September 30,	General & Administrative Expenses	Change from Prior Year	Percent Change from Prior Year
2013	$ 1,821,299	$1,214,352	200 %
2012	$ 606,947		

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General and administrative expenses increased by $1,214,352 due primarily to the following:

- An decrease in stock-based compensation expense of $288,000 due primarily to an decrease in issued unvested and restricted stock and options awards; and
- Increased expenses associated with increased corporate activities related to the effects of our merger, integration and compliance costs, and the development of our biomedicine business, including:
  - o An increase in legal, professional and accounting services of $547,000;
  - o An increase in payroll expenses of $276,000;
  - o An increase in depreciation expense of $265,000; and
  - o An increase in rent and other expenses of $414,000.

Sales and Marketing Expenses

Three Months Ended September 30,	Sales & Marketing Expenses	Change from Prior Year	Percent Change from Prior Year
2013	$23,202	$(101,509)	(81)%
2012	$124,711		

Sales and marketing expenses decreased during the third quarter of 2013 as compared to the third quarter of 2012 as a result of our shift in strategic focus away from actively marketing enzyme reagent kits.

Research and Development

Three Months Ended September 30,	Research and Development Expenses	Change from Prior Year	Percent Change from Prior Year
2013	$ 196,524	$(491,221)	(71)%
2012	$ 687,745		

Research and development costs decreased by $491,221 in the third quarter of 2013 versus the third quarter of 2012 due primarily to a decrease in the usage of raw materials and consumables and other research and development costs as we have concluded many of the significant activities surrounding the development of our biomedicine intellectual property.

Operating Income (Loss)

Three Months Ended September 30,	Operating Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2013	$989,045	$2,411,460	170 %
2012	$(1,422,415)		

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The increase in our operating income for third quarter of 2013 as compared to the third quarter of 2012 is primarily due to the revenue recognized in the third quarter of 2013 in our consulting business and, to a lesser extent, decreases in general and administrative expenses and research and development expenses, each of which is described above.

Total Other Income (Expense)

Three Months Ended September 30,	Total Other Income (Expense)	Change from Prior Year	Percent Change from Prior Year
2013	$(25,658)	$(54,040)	(190)%
2012	$28,382		

Other income (expense) consists primarily of foreign exchange gains and losses on transactions in our biomedicine segment.

Income Tax Provision

Three Months Ended September 30,	Income Tax Benefit (Provision)	Change from Prior Year	Percent Change from Prior Year
2013	$(386,494)	$(386,494)	(100)%
2012	$-		

We have historically experienced little income tax expense due to the effects of operating losses offset by valuation allowances against all of our deferred tax assets, including net operating losses. While we have optimistic plans for our business strategy, we determined that a valuation allowance was necessary given the prior losses and the uncertainty with respect to our ability to generate sufficient profits from our business model.

The tax benefit recorded in the three months ended September 30, 2013 reflects the reversal of a deferred tax liability that was established in connection with our merger.

Net Income (Loss)

Three Months Ended September 30,	Net Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2013	$576,893	$1,970,926	141%
2012	$(1,394,033)		

Changes in net income (loss) are primarily attributable to changes in operating income as described above.

Comprehensive Net Income (Loss)

Three Months Ended September 30,	Comprehensive Net Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2013	$ 390,742	$1,777,809	128 %
2012	$ (1,387,067)		

For the three months ended September 30, 2013, we recorded an unrecognized loss on investments of approximately $210,000, partially offset by foreign currency translation impacts of approximately $24,000. For the three months ended September 30, 2012, we had no unrecognized losses on investments and foreign currency translation impacts were approximately $7,000.

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Comparison of Nine Months Ended September 30, 2013 to Nine Months Ended September 30, 2012

Although the descriptions in the results of operations below reflect our operating results as set forth in our Condensed Consolidated Statement of Operations filed herewith, we are presenting consolidated pro forma information below to reflect the impacts of the business combination as if the transaction had occurred at the beginning of the earliest period presented.

The results of operations for the nine months ended September 30, 2013 reflect restatements as described in Note 4 to the condensed consolidated financial statements included herein. Please refer to this footnote for further information.

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	CBMG As stated	EastBridge Pro forma Adjustment	Pro forma Consolidated	CBMG As stated	EastBridge Pro forma Adjustment	Pro forma Consolidated
Revenues	$ 3,299,784	$ -	$ 3,299,784	$ 277,411	$ 6,053,828	$ 6,331,239
Cost of goods sold	158,280	-	158,280	120,108	-	120,108
Gross profit	3,141,504	-	3,141,504	157,303	6,053,828	6,211,131
Operating expenses:						
General and administrative	8,318,023	212,770	8,530,793	2,646,691	827,369	3,474,060
Selling and marketing	130,855	18,392	149,247	300,400	60,137	360,537
Research and development	1,316,305	-	1,316,305	998,880	-	998,880
Total operating expenses	9,765,183	231,162	9,996,345	3,945,971	887,506	4,833,477
Operating income (loss)	(6,623,679)	(231,162)	(6,854,841)	(3,788,668)	5,166,322	(1,377,654)
Other income (expense)						
Interest expense	(257,761)	-	(257,761)	-	902	902
Interest income	2,712	455	3,167	1,441	100	1,541
Other expense	(78,446)	-	(78,447)	28,242	(419,755)	(391,513)
Total other income (expense)	(333,495)	455	(333,041)	29,683	(418,753)	(389,070)
Income (loss) before taxes	(6,957,174)	(230,707)	(7,187,881)	(3,758,985)	4,747,569	988,584
Income tax provision	(386,494)	-	(386,494)	-	(109)	(109)
Net income (loss)	$ (7,343,669)	$ (230,707)	$ (7,574,376)	$ (3,758,985)	$ 4,747,460	$ 988,475
Other comprehensive income (loss):						

Cumulative translation adjustment	56,228	-	56,228	$ 8,025	-	8,025
Unrecognized loss on investments	(944,993)	(4,462,545)	(5,407,538)	-	(45,694)	(45,694)
Comprehensive net income (loss)	$ (8,232,434)	$ (4,693,252)	$ (12,925,686)	$ (3,750,960)	$ 4,701,766	$ 950,806
Earnings per share:						
Basic	$ (1.33)	(0.73)	$ (1.30)	$ (1.28)	$ 3.04	$ 0.22
Diluted	$ (1.33)	$ (0.73)	$ (1.30)	$ (1.28)	$ 3.04	$ 0.22
Weighted average common shares outstanding:						
Basic	5,519,634	313,930	5,833,564	2,948,000	1,559,660	4,507,660
Diluted	5,519,634	313,930	5,833,564	2,948,000	1,559,660	4,507,660

Results of Operations

Revenues

Nine Months Ended September 30,	Revenues	Change from Prior Year	Percent Change from Prior Year
2013	$3,299,784	$3,022,373	1,089 %
2012	$277,411		

During the nine months ended September 30, 2013, we recognized revenue of $3,204,419 in our consulting business primarily attributable to the listing of Arem Pacific Corporation which resulted in revenue recognition from the receipt of 1,000,000 shares of the client's common stock. Our biomedicine segment recorded limited revenue as we are in the clinical trial phase for the development and commercialization of our initial cell therapy candidates. During the nine months ended September 30, 2012, we derived $277,411 of revenue from our biomedicine segment related to sales of enzyme reagent kits. During the nine months ended September 30, 2012, no revenue is presented from the consulting segment due to the effects of the reverse merger on our financial statement presentation.

Cost of Sales

Nine Months Ended September 30,	Cost of Sales	Change from Prior Year	Percent Change from Prior Year
2013	$158,280	$38,172	32 %
2012	$120,108		

All cost of sales are reflective of our biomedicine segment and are associated with sales of enzyme reagent kits. Although we had significant revenue in our consulting segment, all costs associated with our consulting business, consisting primarily of salaries and wages of our staff and other professional fees, are expensed as general and administrative costs when incurred.

General and Administrative Expenses

Nine Months Ended September 30,	General & Administrative Expenses	Change from Prior Year	Percent Change from Prior Year
2013	$ 8,318,022	$5,671,331	214 %
2012	$ 2,646,691		

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General and administrative expenses increased by $5,617,330 due primarily to the following:

An increase in stock-based compensation expense of $204,000 due to primarily to:
- o an increase in issued unvested restricted stock option awards; and
- o a true-up to the unearned restricted stock awards issued to employees prior to the merger, and other stock-based compensation.

Increased expenses associated with increased corporate activities related to the effects of our merger, integration and compliance costs, and the development of our biomedicine business, including:
- o An increase in legal, professional, accounting and investor relations services of $3,513,000 relating to the integration of the formerly privately-held biomedicine business into our public reporting entity;
- o An increase in payroll expenses of $1,011,000;
- o An increase in depreciation expense of $280,000; and
- o An increase in rent and other expenses of $664,000;

Sales and Marketing Expenses

Nine Months Ended September 30,	Sales & Marketing Expenses	Change from Prior Year	Percent Change from Prior Year
2013	$130,855	$(169,545)	(56)%
2012	$300,400		

Sales and marketing expenses decreased from the nine month period ended September 30, 2013 versus the nine month period ended September 30, 2012 as a result of our shift in strategic focus away from actively marketing enzyme reagent kits.

Research and Development

Nine Months Ended September 30,	Research and Development Expenses	Change from Prior Year	Percent Change from Prior Year
2013	$ 1,316,305	$317,425	32 %
2012	$ 998,880		

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Research and development costs increased by $317,425 in the nine month period ended September 30, 2013 versus the nine month period ended September 30, 2012 due primarily to an increase in research and development activities associated with the commercialization of our biomedicine therapies which led to an increase in expenses for payroll costs, raw materials and consumables, and other related costs.

Operating Income (Loss)

Nine Months Ended September 30,	Operating Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2013	$ (6,623,678)	$ (2,835,010)	(75)%
2012	$ (3,788,668)		

The change in our operating income for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012 is primarily due to an increase in revenues, partially offset by increases in general and administrative expenses and research and development expenses, each of which are described above.

Total Other Income (Expense)

Nine Months Ended September 30,	Total Other Income (Expense)	Change from Prior Year	Percent Change from Prior Year
2013	$(333,496)	$(363,179)	(1,224)%
2012	$29,683		

For the nine months ended September 30, 2013, other income (expense) consisted of an accrual of interest on deferred salaries of the officers of consulting segment of approximately $258,000, and realized losses on investments of approximately $78,000, partially offset by realized losses on foreign currency and other miscellaneous items. For the nine months ended September 30, 2012, other income (expense) consisted of realized losses on foreign currency and other miscellaneous items.

Income Tax Provision

Nine Months Ended September 30,	Income Tax Benefit (Provision)	Change from Prior Year	Percent Change from Prior Year
2013	$ (386,494)	$ (386,494)	(100)%
2012	$ -		

We have historically experienced little income tax expense due to the effects of operating losses offset by valuation allowances against all of our deferred tax assets, including net operating losses. While we have optimistic plans for our business strategy, we determined that a valuation allowance was necessary given the prior losses and the uncertainty with respect to our ability to generate sufficient profits from our business model.

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The tax benefit recorded in the nine months ended September 30, 2013 reflects the reversal of a deferred tax liability that was established in connection with our merger.

Net Loss

Nine Months Ended September 30,	Net Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2013	$ (7,343,668)	$ (3,584,683)	(95)%
2012	$ (3,758,985)		

Changes in net income (loss) are primarily attributable to changes in operating income, and other income (expense), each of which is described above.

Comprehensive Net Loss

Nine Months Ended September 30,	Comprehensive Net Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2013	$ (8,232,433)	$(4,481,473)	(119)%
2012	$ (3,750,960)		

For the nine months ended September 30, 2013, we recorded an unrecognized loss on investments of $944,993, partially offset by foreign currency translation impacts of $56,229. Only minor foreign currency translation impacts were incurred during the nine months ended September 30, 2012.

Liquidity and Capital Resources

Net cash used in operating activities was $7,126,277 and $2,990,266 for the nine months ended September 30, 2013 and 2012, respectively. The increase is mainly attributable to an increase in non-cash revenues of $3.0 million, consisting only of shares of client common stock received for consulting services, increased net loss of $3.6 million, and increased working capital and other assets and liabilities of $0.2 million, partially offset by an increase in non-cash expenses approximately $2.6 million.

Net cash provided by (used in) investing activities was $2,423,294 and $(2,145,212) for the nine months ended September 30, 2013 and 2012, respectively. The net cash inflows in 2013 was attributed primarily to the merger of EastBridge which resulted in the addition of approximately $2.5 million in cash to our combined balance sheet. The net cash outflows in 2012 was primarily attributable to approximately $1.0 million of equipment purchases primarily for the Shanghai clinic location, and with the purchase of intangibles for $1.1 million associated with our biomedicine business segment.

Net cash provided by financing activities was $4,003,296 and $6,123,652 for the nine months ended September 30, 2013 and 2012, respectively. This was primarily associated with the proceeds from the issuance of common stock in private placements during 2013 and 2012.

We had working capital of $1,939,145 as of September 30, 2013 compared to $3,754,386 as of December 31, 2012. Our cash position decreased to $3,465,132 at September 30, 2013 compared to $4,144,896 as of December 31, 2012, as we had net operating cash outflows partially offset by cash flows from investing and financing activities.

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Liquidity and Capital Requirements Outlook

Capital Requirements

Since our merger in February, 2013, and with the help of revenue from consulting business, we have reported accumulated net losses of approximately $2.4 million and recurring negative cash flows operations. We anticipate that the biomedicine busines will contiue to generate significant losses from operations for the foreseeable future.

Our limited capital resources and operations to date have ben funded primarily with the proceeds from equity financings, and sale of consulting earned stocks on our portfolio. The biomedicine business has sustained losses from operations in each fiscal year since its inception, and we expect losses to continue for the indefinite future, due to the substantial investment in clinical trials and research and development.

We anticipate that following our merger in February 2013, we as a combined company will require approximately $6 million in cash to operate as planned during the 2013 calendar year. Of this amount, approximately $4 million will be used to operate as planned during the 2013 calendar year. Of this amount, approximately $4 million will be used to operate our facilities and offices, including but not limted to payroll expenses, rent and other operating costs, and to fund our research and development (which will require an estimated $1.5 million in 2013) as we continue to develop our products through the clinical study process. As another component of the $6 million amount noted above, we anticipate $2 milllion will be needed during 2013 to fund our ongoing clinical trials for liver cancer and KOA, each of which we launched in early 2013. Presently we do not have plans to expand our physical plant and facilities, although we may revise these plans depending on the changing circumstances of our biomedicine business.

We expect to rely on current cash balances, and cash from our consulting operations and the sale of marketable securities that we hold (and that we received as payment for consulting services) to provide for these capital requirements. We intend to look external financing to fund our operations and growth. As of the date of this report, management anticipates that our current cash resources are sufficient to fund our operations in accordance with our plans during 2013.

Our medium to long term capital needs involve the further development of our biomedicine business, and may include, at management's discretion, new clinical trials for other indications, strategic partnerships, joint ventures, acquisition of licensing rights from new partners, expansion of our license rights with our current joint venture partner or changes in the structure of such joint venture, and/or expansion of our research and development programs. Furthermore, as our therapies pass through the clinical trial process and if they gain regulatory approval, we expect to expend significant resources on sales and marketing of our future products, services and therapies.

In order to finance our medium to long term plans, we intend to rely upon external financing. This financing may be in the form of equity and or debt, in private placements and/or public offerings, or arrangements with private lenders. Due to our short operating history and our early stage of development, particularly in our biomedicine business, we may find it challenging to raise capital on terms that are acceptable to us, or at all. Furthermore our negotiating position in the capital raising process may worsen as we consume our existing resources. Investor interest in a company such as ours is dependent on a wide array of factors, including the state of regulation of our industry in China (e.g. the policies of MOH and the SFDA), the U.S. and other countries, political headwinds affecting our industry, the investment climate for issuers involved in businesses located or conducted within China, the risks associated with our corporate structure, risks relating to our joint venture partners, licensed intellectual property, as well as the condition of the global economy and financial markets in general. Additional equity financing may be dilutive to our stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict our ability to operate as a business; our stock price may not reach levels necessary to induce option or warrant exercises; and asset sales may not be possible on terms we consider acceptable. If we are unable to raise the capital necessary to meet our medium- and long-term liquidity needs, we may have to delay or discontinue certain clinical trials, the licensing, acquisition and/or development of cell therapy technologies, and/or the expansion of our biomedicine business; or we may have to raise funds on terms that we consider unfavorable. For a more complete discussion of risks that our business is subject to, refer to the “Risk Factors” section below.

Liquidity

To support our liquidity needs for the three and nine months ended September 30, 2013, we utilized our then current cash reserves and raised additional capital through the issuance of common stock in a private placement.

In the near term, much of our cash from operating activities is expected to be derived from the continued sale of stock held in clients and received as compensation for services rendered by our consulting services business. We do not have a plan of liquidation of the portfolio securities that are held by EastBridge Sub, but rather, EastBridge Sub management may decide to sell marketable securities from our portfolio from time to time subject to securities regulatory constraints, if and when market conditions are considered to be favorable.

Management expects de minimus revenue from our biomedicine business in 2013, as our focused products, services and therapies we have in development are in the proof-of-concept stage or in clinical trials, and have not yet been approved for clinical use. Unless there is a major shift in the regulatory environment in which we operate, we aim to complete clinical trials for our KOA products within the next year and begin generating revenue from our biomedical operations beginning in 2014.

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Off Balance Sheet Transactions

CBMG does not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

We hare restated our financial statements contained within our Quarterly Reports for the quarterly periods ended March 31, 2013 and June 30, 2013 to correct the accounting for stock based compensation related to awards issued by CBMG BVI prior to the merger. Such awards were previously accounted for as an expense at the time awards were vested, whereas they should have been recognized as stock based compensation over the requisite service period based on the grant date fair value of each award.

Because of these errors and other previously identified deficiences in our internal controls over financial reporting, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that, as of September 30, 2013, our disclosure controls and procedures were not effective.

We have made improvements in our internal control structure in an attempt to remediate these deficiences. However, until such time that we have updated our annual evaluation of internal controls over financial reporting, our disclosure controls are assumed to remain ineffective.

Changes in Internal Control over Financial Reporting

Based on our merger with CBMV BVI effective February 6, 2013, the Company’s financial statements include operations of the Company’s Biomedicine Segment that were not previously subject to our annual evaluation of internal controls over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, as amended. There have also been some changes in our entity level controls as a result of the merger, including new officers and directors. Further, as it pertains to our consulting business, we have made improvements in our internal controls in response to the material weaknesses identified relating to the reconciliation of securities received and held by the Company on the one hand, and sold, transferred and/or distributed on the other hand as described in our Form 10-K/A Amendment No. 2 as of and for the year ended December 31, 2012, as filed with the SEC on August 14, 2013.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be involved in judicial or administrative proceedings concerning matters arising in the ordinary course of business. We do not expect that any of these matters, individually or in the aggregate, will have a material adverse effect on our business, financial condition, cash flows or results of operation.

ITEM 1A. RISK FACTORS

For purposes of this periodic report and Item 1A, “CBMG BVI” refers to Cellular Biomedicine Group Ltd., a British Virgin Islands corporation, which is now a wholly-owned subsidiary of the registrant, together with its business, operations, subsidiaries and controlled entities). The “Company”, “CBMG”, “we”, “us”, “our” and similar terms refer to Cellu Biomedicine Group, Inc. (a Delaware corporation) as a combined entity including each of its subsidiaries and controlled companies following the merger (formerly EastBridge Investment Group Corporation), unless the context otherwise requires. “EastBridge Sub” refers to the Company's wholly owned subsidiary EastBridge Investment Corp.

RISKS RELATED TO OUR COMPANY

We have a limited operating history and expect significant operating losses for the next few years.

We are a company with a limited operating history and have incurred substantial losses and negative cash flow from operations in periods leading up to the second half of 2012. Although in the fiscal year ending December 31, 2012, on a consolidated basis we earned net income of approximately $5.2 million primarily due to the realization of proceeds from investment securities received as compensation, our cash flow from operations may not be consistent from period to period, our biomedicine business has not yet generated any revenue, and we may incur losses and negative cash flow in future periods, particularly within the next several years.

Our biomedicine product development programs are based on novel technologies and are inherently risky.

We are subject to the risks of failure inherent in the development of products based on new biomedical technologies. The novel nature of these cell-based therapies creates significant challenges in regard to product development and optimization, manufacturing, government regulation, third party reimbursement, and market acceptance. For example, the pathway to regulatory approval for cell-based therapies may be more complex than the pathway for conventional pharmaceuticals or other medical technologies, or may require more time than we anticipate. These challenges may prevent us from developing and commercializing products on a timely or profitable basis or at all.

Our technologies are at early stages of discovery and development, and we may fail to develop any commercially acceptable or profitable products.

We have yet to develop any therapeutic products that have been approved for marketing, and we do not expect to become profitable within the next several years, but rather expect our biomedicine business to incur additional and increasing operating losses. Before commercializing any therapeutic product in China, we may be required to obtain regulatory approval from the Ministry of Health (“MOH”), PRC’s State Food and Drug Administration (“SFDA”), local regulatory authorities, and/or individual hospitals, and outside China from equivalent foreign agencies after conducting extensive preclinical studies and clinical trials that demonstrate that the product candidate is safe and effective.

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We may elect to delay or discontinue studies or clinical trials based on unfavorable results. Any product developed from, or based on, cell technologies may fail to:

- survive and persist in the desired location;
- provide the intended therapeutic benefit;
- engraft or integrate into existing tissue in the desired manner; or
- achieve therapeutic benefits equal to, or better than, the standard of treatment at the time of testing.

In addition, our therapeutic products may cause undesirable side effects. Results of preclinical research in animals may not be indicative of future clinical results in humans.

Ultimately if regulatory authorities do not approve our products or if we fail to maintain regulatory compliance, we would be unable to commercialize our products, and our business and results of operations would be harmed. Even if we do succeed in developing products, we will face many potential obstacles such as the need to develop or obtain manufacturing, marketing and distribution capabilities. Furthermore, because transplantation of cells is a new form of therapy, the marketplace may not accept any products we may develop.

Presently, a moratorium declared by the PRC government on commercialization of cell therapies is in effect, pending release of new regulations. No assurances can be made regarding when the moratorium will be lifted, or regarding the substance of the new regulations. If the moratorium continues longer than expected, or if new regulations are not favorable to our development plans, our business could be adversely affected.

While we believe the PRC government is highly supportive of stem cell research and related potential advances in medical treatment, presently a moratorium is in effect in China which prevents any company from actual marketing and implementing cell therapies. The central government has declared stem cell technology to be a part of China's national long-term scientific and technological development plan from 2006 to 2020. The government has also announced its intention to release new laws to regulate our industry, which are anticipated later this year. We are unable to predict when these new laws will be announced or made applicable, or the contents of such laws. Although we believe there is a high probability that PRC laws will ultimately be supportive of our development plans and consistent with its prior policy pronouncements, there can be no assurance that the laws, once released and when applied, will be favorable to our interests. If the government fails to enact laws and lift the moratorium in the expected time frame, or if its laws when released and enacted are burdensome to our development, our plans could be delayed or thwarted, and our business would be materially and adversely affected. In March 2013, the PRC central government released proposed regulations of the Ministry of Health and the SFDA relating to the conduct of cell therapy pre-clinical and clinical trials in China. While management believes this is an indication that final rules may soon be adopted, we cannot provide any assurances as to the likely content of the final rules nor when they will become effective.

Most potential applications of our technology are pre-commercialization, which subjects us to development and marketing risks.

We are in a relatively early stage on the path to commercialization with many of our products. Successful development and market acceptance of our products is subject to developmental risks, including failure to achieve innovative solutions to problems during development, ineffectiveness, lack of safety, unreliability, failure to receive necessary regulatory clearances or approvals, approval by hospital ethics committees and other governing bodies, high commercial cost, preclusion or obsolescence resulting from third parties' proprietary rights or superior or equivalent products, competition, and general economic conditions affecting purchasing patterns. There is no assurance that we or our partners will successfully develop and commercialize our products, or that our competitors will not develop competing products, treatments or technologies that are less expensive or superior. Failure to successfully develop and market our products would have a substantial negative effect on our results of operations and financial condition.

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Market acceptance of new technology such as ours can be difficult to obtain.

New and emerging cell therapy and cell banking technologies may have difficulty or encounter significant delays in obtaining market acceptance in some or all countries around the world due to the novelty of our cell therapy and cell banking technologies. Therefore, the market adoption of our cell therapy and cell banking technologies may be slow and lengthy with no assurances that the technology will be successfully adopted. The lack of market adoption or reduced or minimal market adoption of cell therapy and cell banking technologies may have a significant impact on our ability to successfully sell our future product(s) or therapies within China or in other countries. Our strategy depends in part on the adoption of the therapies we may develop by state-owned hospital systems in China, and the allocation of resources to new technologies and treatment methods is largely dependent upon ethics committees and governing bodies within the hospitals. Even if our clinical trials are successful, there can be no assurance that hospitals in China will adopt our technology and therapies as readily as we may anticipate.

Future clinical trial results may differ significantly from our expectations.

While we have proceeded incrementally with our clinical trials in an effort to gauge the risks of proceeding with larger and more expensive trials, we cannot guarantee that we will not experience negative results with larger and much more expensive clinical trials than we have conducted to date. Poor results in our clinical trials could result in substantial delays in commercialization, substantial negative effects on the perception of our products, and substantial additional costs. These risks are increased by our reliance on third parties in the performance of many of the clinical trial functions, including the clinical investigators, hospitals, and other third party service providers.

We face risks relating to the cell therapy industry, clinical development and commercialization.

Cell therapy is still a developing field and a significant global market for our services has yet to emerge. Our cellular therapy candidates are based on novel cell technologies that are inherently risky and may not be understood or accepted by the marketplace. The current market principally consists of providing manufacturing of cell and tissue-based therapeutic products for clinical trials and processing of stem cell products for therapeutic programs.

The degree of market acceptance of any future product candidates will depend on a number of factors, including:

- the clinical safety and effectiveness of the product candidates, the availability of alternative treatments and the perceived advantages of the particular product candidates over alternative treatments;

- the relative convenience and ease of administration of the product candidates;

- our ability to separate the product candidates from the ethical controversies and political barriers associated with stem cell product candidates derived from human embryonic or fetal tissue;

- ethical concerns that may arise regarding our commercial use of stem cells, including adult stem cells, in the manufacture of the product candidates;

- the frequency and severity of adverse events or other undesirable side effects involving the product candidates or the products or product candidates of others that are cell-based; and the cost of the products, the reimbursement policies of government and third-party payors and our ability to obtain sufficient third-party coverage or reimbursement.

If clinical trials of our technology fail to demonstrate safety and efficacy to the satisfaction of the relevant regulatory authorities, including the PRC's State Food and Drug Administration and the Ministry of Health, or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidates.

Currently, a regulatory structure has not been established to standardize the approval process for products or therapies based on the technology that exists or that is being developed in our field. Therefore we must conduct, at our own expense, extensive clinical trials to demonstrate the safety and efficacy of the product candidates in humans, and then archive our results until such time as a new regulatory regime is put in place. If and when this new regulatory regime is adopted it may be easier or more difficult to navigate than CBMG may anticipate, with the following potential barriers:

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- regulators or institutional review boards may not authorize us or our investigators to commence clinical trials or conduct clinical trials at a prospective trial site;

- clinical trials of product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs that we expect to be pursuing;

- the number of patients required for clinical trials of product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate, or participants may drop out of these clinical trials at a higher rate than we anticipate;

- third party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding that the participants are being exposed to unacceptable health risks;

- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements;

- the cost of clinical trials of our product candidates may be greater than anticipated;

- we may be subject to a more complex regulatory process, since cell-based therapies are relatively new and regulatory agencies have less experience with them as compared to traditional pharmaceutical products;

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of these product candidates may be insufficient or inadequate; and

- our product candidates may have undesirable side effects or other unexpected characteristics, causing us or our investigators to halt or terminate the trials.

The results of preclinical studies may not correlate with the results of human clinical trials. In addition, early stage clinical trial results do not ensure success in later stage clinical trials, and interim trial results are not necessarily predictive of final trial results.

To date, we have not completed the development of any products through regulatory approval. The results of preclinical studies in animals may not be predictive of results in a clinical trial. Likewise, the outcomes of early clinical trials may not be predictive of the success of later clinical trials. There can be no assurances that the clinical trials of any future product candidate will ultimately be successful. New information regarding the safety and efficacy of such product candidates may be less favorable than the data observed to date.

We may experience delays in enrolling patients in our clinical trials, which could delay or prevent the receipt of necessary regulatory approvals.

We may not be able to continue extensive clinical trials if we are unable to enroll a sufficient number of eligible patients to participate in the clinical trials required by the applicable regulatory authorities.

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Additional factors that may affect our ability to enroll patients in clinical trials include:

- patients' willingness to receive a placebo or other inactive control on the control arm of a clinical study;
- the distance between patients and clinical test sites; and
- the eligibility criteria for the trial.

Even if we are successful in developing therapeutic applications using our cell technologies, we still may be unsuccessful in creating a commercially viable and profitable business.

The commercial viability of our stem cell technologies may depend on, among other things, our ability to successfully isolate and expand the number of stem cells collected through adult stem cell collection processes in order to achieve a therapeutically-viable dose.

Technological and medical developments or improvements in conventional therapies could render the use of cell therapy and our services and planned products obsolete.

Advances in other treatment methods or in disease prevention techniques could significantly reduce or entirely eliminate the need for our cell therapy services, planned products and therapeutic efforts. There is no assurance that cell therapies will achieve the degree of success envisioned by us in the treatment of disease. Nor is there any assurance that new technological improvements or techniques will not render obsolete the processes currently used by us, the need for our services or our planned products. Additionally, technological or medical developments may materially alter the commercial viability of our technology or services, and require us to incur significant costs to replace or modify equipment in which we have a substantial investment. We are focused on cell therapy, and if this field is substantially unsuccessful, this could jeopardize our success or future results. The occurrence of any of these factors may have a material adverse effect on our business, operating results and financial condition.

There is a scarcity of experienced professionals in the field of cell therapy and we may not be able to retain key officers or employees or hire new key officers or employees needed to implement our business strategy and develop our products. If we are unable to retain or hire key officers or employees, we may be unable to grow our biomedicine business or implement our business strategy, and the Company may be materially and adversely affected.

Given the specialized nature of cell therapy and the fact that it is a young field, there is an inherent scarcity of experienced personnel in the field. The Company is substantially dependent on the skills and efforts of current senior management for their management and operations, as well as for the implementation of their business strategy. As a result of the difficulty in locating qualified new management, the loss or incapacity of existing members of management or unavailability of qualified management or as replacements for management who resign or are terminated could adversely affect the Company's operations. The future success of the Company also depends upon our ability to attract and retain additional qualified personnel (including medical, scientific, technical, commercial, business and administrative personnel) necessary to support our anticipated growth, develop our business, perform our contractual obligations to third parties and maintain appropriate licensure, on acceptable terms. There can be no assurance that we will be successful in attracting or retaining personnel required by us to continue to grow our operations. The loss of a key employee, the failure of a key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could result in our inability to grow our biomedicine business or implement our business strategy, or may have a material adverse effect on our business, financial condition and operating results.

Failure to obtain regulatory approval in international jurisdictions would prevent us from market or license our products abroad.

We may in the future seek to market or license our products or product candidates outside of China. In order to market such product candidates outside of China, we must submit clinical data concerning our product candidates and obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval from foreign regulators may require a substantial amount of time. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize any products in any market and therefore may not be able to generate sufficient revenues to support our business.

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We, our strategic partners and our customers conduct business in a heavily regulated industry. If we or one or more of our strategic partners or customers fail to comply with applicable current and future laws and government regulations, our business and financial results could be adversely affected.

The healthcare industry is one of the most highly regulated industries. Federal governments, individual state and local governments and private accreditation organizations may oversee and monitor all the activities of individuals and businesses engaged in the delivery of health care products and services. Therefore, current laws, rules and regulations could directly or indirectly negatively affect our ability and the ability of our strategic partners and customers to operate each of their businesses.

In addition, as we expand into other parts of the world, we will need to comply with the applicable laws and regulations in such foreign jurisdictions. We have not yet thoroughly explored the requirements or feasibility of such compliance. It is possible that we may not be permitted to expand our business into one or more foreign jurisdictions.

Although we intend to conduct our business in compliance with applicable laws and regulations, the laws and regulations affecting our business and relationships are complex, and many aspects of such relationships have not been the subject of judicial or regulatory interpretation. Furthermore, the cell therapy industry is the topic of significant government interest, and thus the laws and regulations applicable to us and our strategic partners and customers and to their business are subject to frequent change and/or reinterpretation and there can be no assurance that the laws and regulations applicable to us and our strategic partners and customers will not be amended or interpreted in a manner that adversely affects our business, financial condition, or operating results.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley act could have a material adverse effect on our business and operating results.

It may be time consuming, difficult and costly for us to develop and implement the additional internal controls, processes and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal auditing and other finance staff in order to develop and implement appropriate additional internal controls, processes and reporting procedures.

If we fail to comply in a timely manner with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal controls over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

In connection with our on-going assessment of the effectiveness of our internal control over financial reporting, we may discover "material weaknesses" in our internal controls as defined in standards established by the Public Company Accounting Oversight Board, or the PCAOB. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The PCAOB defines "significant deficiency" as a deficiency that results in more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected.

In the event a material weakness is identified, we will attempt to employ qualified personnel and adopt and implement policies and procedures to address any material weaknesses we identify. However, the process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. We cannot assure you that we will have the resources to be able to take steps to attempt to remedy any future material weaknesses or that the measures we will take will remediate any material weaknesses that we may identify or that we will implement and maintain adequate controls over our financial process and reporting in the future.

Any failure to complete our assessment of our internal control over financial reporting, to remediate any material weaknesses that we may identify or to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of the periodic management evaluations of our internal controls and, in the case of a failure to remediate any material weaknesses that we may identify, would adversely affect the annual management reports regarding the effectiveness of our internal control over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

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RISKS RELATED TO OUR STRUCTURE

Our operations are subject to risks associated with emerging markets.

The Chinese economy is not well established and is only recently emerging and growing as a significant market for consumer goods and services. Accordingly, there is no assurance that the market will continue to grow. Perceived risks associated with investing in China, or a general disruption in the development of China's markets could materially and adversely affect the business, operating results and financial condition of the Company.

A substantial portion of our assets are currently located in the PRC, and investors may not be able to enforce federal securities laws or their other legal rights.

A substantial portion of our assets are located in the PRC. As a result, it may be difficult for investors in the U.S. to enforce their legal rights, to effect service of process upon certain of our directors or officers or to enforce judgments of U.S. courts predicated upon civil liabilities and criminal penalties against any of our directors and officers located outside of the U.S.

The PRC government has the ability to exercise significant influence and control over our operations in China.

In recent years, the PRC government has implemented measures for economic reform, the reduction of state ownership of productive assets and the establishment of corporate governance practices in business enterprises. However, many productive assets in China are still owned by the PRC government. In addition, the government continues to play a significant role in regulating industrial development by imposing business regulations. It also exercises significant control over the country's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

There can be no assurance that China's economic, political or legal systems will not develop in a way that becomes detrimental to our business, results of operations and financial condition. Our activities may be materially and adversely affected by changes in China's economic and social conditions and by changes in the policies of the government, such as measures to control inflation, changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

Additional factors that we may experience in connection with having operations in China that may adversely affect our business and results of operations include:

- our inability to enforce or obtain a remedy under any material agreements;

- PRC restrictions on foreign investment that could impair our ability to conduct our business or acquire or contract with other entities in the future;

- restrictions on currency exchange that may limit our ability to use cash flow most effectively or to repatriate our investment;

- fluctuations in currency values;

- cultural, language and managerial differences that may reduce our overall performance; and political instability in China.

Cultural, language and managerial differences may adversely affect our overall performance.

We have experienced difficulties in assimilating cultural, language and managerial differences with our subsidiaries in China. Personnel issues have developed in consolidating management teams from different cultural backgrounds. In addition, language translation issues from time to time have caused miscommunications. These factors make the management of our operations in China more difficult. Difficulties in coordinating the efforts of our U.S.-based management team with our China-based management team may cause our business, operating results and financial condition to be materially and adversely affected.

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We may not be able to enforce our rights in China.

China's legal and judicial system may negatively impact foreign investors. The legal system in China is evolving rapidly, and enforcement of laws is inconsistent. It may be impossible to obtain swift and equitable enforcement of laws or enforcement of the judgment of one court by a court of another jurisdiction. China's legal system is based on civil law or written statutes and a decision by one judge does not set a legal precedent that must be followed by judges in other cases. In addition, the interpretation of Chinese laws may vary to reflect domestic political changes.

Since a portion of our operations are presently based in China, service of process on our business and officers may be difficult to effect within the United States. Also, some of our assets are located outside the United States and any judgment obtained in the United States against us may not be enforceable outside the United States.

There are substantial uncertainties regarding the interpretation and application to our business of PRC laws and regulations, since many of the rules and regulations that companies face in China are not made public. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that apply to future businesses may be applied retroactively to existing businesses. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our business.

The laws of China are likely to govern many of our material agreements, including, without limitation the Joint Venture Agreement dated September 9, 2011 with China Stem Cell, Inc., as amended. We cannot assure you that we will be able to enforce our interests or our material agreements or that expected remedies will be available. The inability to enforce or obtain a remedy under any of our future agreements may have a material adverse impact on our operations.

Our operations in China are subject to government regulation that limit or prohibit direct foreign investment, which may limit our ability to control operations based in China.

The PRC government has imposed regulations in various industries, including medical research and the stem cell industry, that limit foreign investors' equity ownership or prohibit foreign investments altogether in companies that operate in such industries. We are currently structured as a U.S. corporation (Delaware) with subsidiaries and controlled entities in China. As a result of these regulations and the manner in which they may be applied or enforced, our ability to control our existing operations based in China may be limited or restricted.

If the relevant Chinese authorities find us or any business combination to be in violation of any laws or regulations, they would have broad discretion in dealing with such violation, including, without limitation: (i) levying fines; (ii) revoking our business and other licenses; (iii) requiring that we restructure our ownership or operations; and (iv) requiring that we discontinue any portion or all of our business.

We may suffer losses if we cannot utilize our assets in China.

The Company's Shanghai and Wuxi laboratory facilities were originally intended for stem cell research and development, but has been equipped to provide comprehensive cell manufacturing, collection, processing and storage capabilities to provide cells for clinical trials. The lease for this facility expires in 2014 and the Company is considering its options with respect to extending this lease to allow for manufacturing for clinical trials in Asia. If the Company does not determine to renew the lease due to limitations on its utility under the new regulatory initiatives in China or otherwise, the Company may incur certain expenses in connection with returning the premises to the landlord. Management believes it will be able to renew all leases without difficulty.

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Restrictions on currency exchange may limit our ability to utilize our cash flow effectively.

Our interests in China will be subject to China's rules and regulations on currency conversion. In particular, the initial capitalization and operating expenses of the VIE (Cellular Biomedicine Group Ltd. (Shanghai)) are funded by our WFOE, Cellular Biomedicine Group Ltd. (Wuxi). In China, the State Administration for Foreign Exchange, or SAFE, regulates the conversion of the Chinese Renminbi into foreign currencies and the conversion of foreign currencies into Chinese Renminbi. Currently, foreign investment enterprises are required to apply to the SAFE for Foreign Exchange Registration Certificates, or IC Cards of Enterprises with Foreign Investment. Foreign investment enterprises holding such registration certificates, which must be renewed annually, are allowed to open foreign currency accounts including a "basic account" and "capital account." Currency translation within the scope of the "basic account," such as remittance of foreign currencies for payment of dividends, can be effected without requiring the approval of the SAFE. However, conversion of currency in the "capital account," including capital items such as direct investments, loans, and securities, require approval of the SAFE. According to the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises promulgated on August 29, 2008, or the SAFE Notice 142, to apply to a bank for settlement of foreign currency capital, a foreign invested enterprise shall submit the documents certifying the uses of the RMB funds from the settlement of foreign currency capital and a detailed checklist on use of the RMB funds from the last settlement of foreign currency capital. It is stipulated that only if the funds for the settlement of foreign currency capital are of an amount not more than US$50,000 and are to be used for enterprise reserve, the above documents may be exempted by the bank. This SAFE Notice 142, along with the recent practice of Chinese banks of restricting foreign currency conversion for fear of "hot money" going into China, limits and may continue to limit our ability to channel funds to the VIE entities for their operation. There can be no assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the Chinese currency. Future restrictions on currency exchanges may limit our ability to use our cash flow for the distribution of dividends to our stockholders or to fund operations we may have outside of China, which could materially adversely affect our business and operating results.

Fluctuations in the value of the Renminbi relative to the U.S. dollar could affect our operating results.

We prepare our financial statements in U.S. dollars, while our underlying businesses operate in two currencies, U.S. dollars and Chinese Renminbi. It is anticipated that our Chinese operations will conduct their operations primarily in Renminbi and our U.S. operations will conduct their operations in dollars. At the present time, we do not expect to have significant cross currency transactions that will be at risk to foreign currency exchange rates. Nevertheless, the conversion of financial information using a functional currency of Renminbi will be subject to risks related to foreign currency exchange rate fluctuations. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and supply and demand in local markets. As we have significant operations in China, and will rely principally on revenues earned in China, any significant revaluation of the Renminbi could materially and adversely affect our financial results. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations.

Beginning in July of 2005, the PRC government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, the value of the Renminbi has fluctuated within a narrow and managed band against a basket of certain foreign currencies. However, the Chinese government has come under increasing U.S. and international pressure to revalue the Renminbi or to permit it to trade in a wider band, which many observers believe would lead to substantial appreciation of the Renminbi against the U.S. dollar and other major currencies. There can be no assurance that Renminbi will be stable against the U.S. dollar. On June 19, 2010 the central bank of China announced that it will gradually modify its monetary policy and make the Renminbi's exchange rate more flexible and allow the Renminbi to appreciate in value in line with its economic strength.

China's State Food and Drug Administration's regulations may limit our ability to develop, license, manufacture and market our products and services.

Some or all of our operations in China will be subject to oversight and regulation by the SFDA and MOH. Government regulations, among other things, cover the inspection of and controls over testing, manufacturing, safety and environmental considerations, efficacy, labeling, advertising, promotion, record keeping and sale and distribution of pharmaceutical products. Such government regulations may increase our costs and prevent or delay the licensing, manufacturing and marketing of any of our products or services. In the event we seek to license, manufacture, sell or distribute new products or services, we likely will need approvals from certain government agencies such as the SFDA. The future growth and profitability of any operations in China would be contingent on obtaining the requisite approvals. There can be no assurance that we will obtain such approvals.

In 2004, the SFDA implemented new guidelines for the licensing of pharmaceutical products. All existing manufacturers with licenses were required to apply for the Good Manufacturing Practices, or cGMP, certifications.

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According to Good Manufacturing Practices for Pharmaceutical Products (revised edition 2010), or the New GMP Rules promulgated by the Ministry of Health of the PRC on January 17, 2011 which became effective on March 1, 2011, all the newly constructed manufacturing facilities of drug manufacture enterprises in China shall comply with the requirements of the New GMP Rules, which are stricter than the original GMP standards.

In addition, delays, product recalls or failures to receive approval may be encountered based upon additional government regulation, legislative changes, administrative action or changes in governmental policy and interpretation applicable to the Chinese pharmaceutical industry. Our pharmaceutical activities also may subject us to government regulations with respect to product prices and other marketing and promotional related activities. Government regulations may substantially increase our costs for developing, licensing, manufacturing and marketing any products or services, which could have a material adverse effect on our business, operating results and financial condition.

The SFDA and other regulatory authorities in China have implemented a series of new punitive and stringent measures regarding the pharmaceuticals industry to redress certain past misconducts in the industry and certain deficiencies in public health reform policies. Given the nature and extent of such new enforcement measures, the aggressive manner in which such enforcement is being conducted and the fact that newly-constituted local level branches are encouraged to issue such punishments and fines, there is the possibility of large scale and significant penalties being levied on manufacturers. These new measures may include fines, restriction and suspension of operations and marketing and other unspecified penalties. This new regulatory environment has added significantly to the risks of our businesses in China and may have a material adverse effect on our business, operating results and financial condition.

Some of the laws and regulations governing our business in China are vague and subject to risks of interpretation.

Some of the PRC laws and regulations governing our business operations in China are vague and their official interpretation and enforcement may involve substantial uncertainty. These include, but are not limited to, laws and regulations governing our business and the enforcement and performance of our contractual arrangements in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. Despite their uncertainty, we will be required to comply.

New laws and regulations that affect existing and proposed businesses may be applied retroactively. Accordingly, the effectiveness of newly enacted laws, regulations or amendments may not be clear. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our business.

In addition, pursuant to China's Administrative Measures on the Foreign Investment in Commercial Sector, foreign enterprises are permitted to establish or invest in wholly foreign-owned enterprises or joint ventures that engage in wholesale or retail sales of pharmaceuticals in China subject to the implementation of relevant regulations. However, no specific regulations in this regard have been promulgated to date, which creates uncertainty. If specific regulations are not promulgated, or if any promulgated regulations contain clauses that cause an adverse impact to our operations in China, then our business, operating results and financial condition could be materially and adversely affected.

The laws and regulations governing the therapeutic use of stem cells in China are evolving. New PRC laws and regulations may impose conditions or requirements which could materially and adversely affect our business.

As the cell therapy industry is at an early stage of development in China, new laws and regulations may be adopted in the future to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the cell therapy industry. There is no way to predict the content or scope of future Chinese regulation. There can be no assurance that the PRC government authorities will not issue new laws or regulations that impose conditions or requirements with which we cannot comply. Noncompliance could materially and adversely affect our business, results of operations and financial condition.

On December 16, 2011, China's Ministry of Health announced its intention to more tightly regulate clinical trials and stem cell therapeutic treatments in the PRC. The Ministry of Health ordered an immediate halt to "unapproved stem cell clinical trials and applications," and put applications for new clinical trials on hold until July 1, 2012, which moratorium has been extended. For those clinical trials for stem cell products already approved by the SFDA, the Clinical Trial Approval Instructions and the Good Clinical Practice, or GCP, shall be strictly followed, with unwarranted changes to the approved clinical trial protocol and profit-seeking activities strictly forbidden. As of the date of this annual report, the foregoing moratorium has not been lifted.

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The PRC government does not permit direct foreign investment in stem cell research and development businesses. Accordingly, we operate these businesses through local companies with which we have contractual relationships but in which we do not have direct equity ownership.

PRC regulations prevent foreign companies from directly engaging in stem cell-related research, development and commercial applications in China. Therefore, to perform these activities, we conduct much of our biomedicine business operations in China through a domestic variable interest entity, or VIE, a Chinese domestic company controlled by the Chinese employees of the Company. Our contractual arrangements may not be as effective in providing control over these entities as direct ownership. For example, the VIE could fail to take actions required for our business or fail to conduct business in the manner we desire despite their contractual obligation to do so. These companies are able to transact business with parties not affiliated with us. If these companies fail to perform under their agreements with us, we may have to rely on legal remedies under PRC law, which may not be effective. In addition, we cannot be certain that the individual equity owners of the VIE would always act in our best interests, especially if they have no other relationship with us.

Although other foreign companies have used VIE structures similar to ours and such arrangements are not uncommon in connection with business operations of foreign companies in China in industry sectors in which foreign direct investments are limited or prohibited, recently there has been greater scrutiny by the business community of the VIE structure and, additionally, the application of a VIE structure to control companies in a sector in which foreign direct investment is specifically prohibited carries increased risks.

In addition, the Ministry of Commerce, or the MOFCOM, promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in August 2011, or the MOFCOM Security Review Rules, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, or Circular No. 6. The MOFCOM Security Review Rules came into effect on September 1, 2011 and replaced the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in March 2011. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises having “national security” concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our business falls into the scope subject to the security review, and there is no requirement for foreign investors in those mergers and acquisitions transactions already completed prior to the promulgation of Circular No. 6 to submit such transactions to MOFCOM for security review. The enactment of the MOFCOM National Security Review Rules specifically prohibits circumvention of the rules through VIE arrangement in the area of foreign investment in business of national security concern. Although we believe that our business, judging from its scale, should not cause any concern for national security review at its current state, there is no assurance that MOFCOM would not apply the same concept of anti-circumvention in the future to foreign investment in prohibited areas through VIE structure, the same way that our investment in China was structured.

Failure to comply with the U.S. Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the PRC. There can be no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

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If we make equity compensation grants to persons who are PRC citizens, they may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt equity compensation plans for our directors and employees and other parties under PRC laws.

On April 6, 2007, State Administration of Foreign Exchange of China (the “SAFE”) issued the “Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of An Overseas Listed Company, also known as “Circular 78.” It is not clear whether Circular 78 covers all forms of equity compensation plans or only those which provide for the granting of stock options. For any plans which are so covered and are adopted by a non-PRC listed company, such as our company, after April 6, 2007, Circular 78 requires all participants who are PRC citizens to register with and obtain approvals from SAFE prior to their participation in the plan. In addition, Circular 78 also requires PRC citizens to register with SAFE and make the necessary applications and filings if they participated in an overseas listed company’s covered equity compensation plan prior to April 6, 2007. We believe that the registration and approval requirements contemplated in Circular 78 will be burdensome and time consuming.

If it is determined that any of our equity compensation plans are subject to Circular 78, failure to comply with such provisions may subject us and participants of our equity incentive plan who are PRC citizens to fines and legal sanctions and may possibly prevent us from being able to grant equity compensation to our PRC employees. In that case, our ability to compensate our employees and directors through equity compensation would be hindered and our business operations may be adversely affected.

If relations between the United States and China worsen, our stock price may decrease and we may have difficulty accessing the U.S. capital markets.

At various times during recent years, the United States and China have had disagreements over trade, economic and other policy issues. Controversies may arise in the future between these two countries. Any political or trade controversies between the United States and China could adversely affect the market price of our common stock and our and our clients' ability to access U.S. capital markets.

RISKS RELATED TO OUR CONSULTING SERVICES BUSINESS

We are subject to constraints under U.S. regulations with respect to the consulting services we provide through EastBridge Sub.

Even though our consulting services business does not involve raising capital for clients, the consulting services provided through EastBridge Sub may be viewed as providing investment services. Investment businesses generally are comprehensively and intensively regulated under state and federal securities laws and regulations. Any investigation, litigation or other proceeding undertaken by the SEC or other federal or state regulatory agencies or private parties could necessitate the expenditure of material amounts of funds for legal and other costs and could have other materially adverse consequences for the Company, particularly if EastBridge is subject to fines and penalties for failure to obtain the required licenses or approvals.

Neither the Company nor is EastBridge Sub registered as a broker or dealer under the Exchange Act or any other securities law. EastBridge Sub management believes that it is not required to be registered as a broker or dealer, but if the SEC, FINRA or the securities administrator of any state were to assert that such registration is required, EastBridge Sub would bear the resulting increased expenses and its activities would be restricted, which could materially and adversely affect the Company's business. EastBridge Sub or its officers and directors could also be subject to fines, penalties and other expenses as well as restrictions on its future business activities as a result of prior activities.

Neither the Company nor EastBridge Sub has, and is not expected to, register as an investment adviser or an investment company under the federal Investment Advisers Act of 1940, as amended, the federal Investment Company Act of 1940, as amended, or under the laws of any state. EastBridge Sub management does not believe that any law requires such a registration. However, particularly with respect to the method it has established of forming wholly owned subsidiaries and taking equity in clients, these practices may inadvertently violate the Investment Company Act of 1940 which would require extensive additional filings and additional compliance with SEC regulations. If required, however, such a registration could preclude EastBridge Sub from performing its duties to its clients, which could lead to material adverse effects on the Company and its business, making its consulting services business less lucrative.

EastBridge Sub may also be subject to the federal or various state investment advisory acts. The consulting services rendered by EastBridge Sub may be viewed as providing financial advice even though management believes that any financial advice is not actually provided by EastBridge Sub but instead is provided by third party financial service firms which are registered.

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Competition may negatively impact us.

Our consulting services business through EastBridge Sub competes with individuals and both large and small investment companies for clients in Asia and our other current and proposed markets. Many of these institutions and individuals are already active in the Asian and American markets and have greater financial and other resources that may be used to compete against us. We expect that, if EastBridge Sub is successful and if the market in which it operates as a whole has favorable results, competition will increase.

Eastbridge Sub depends upon key management personnel and the loss of any of them would seriously disrupt our operations.

The success of our consulting services business is largely dependent on the personal efforts of Keith Wong and Norm Klein, who are the chief financial officer and chief executive officer, respectively, of EastBridge Sub. The loss of the services of Keith Wong or Norm Klein or other key executives would have a material adverse effect on the business and prospects of EastBridge Sub. The Company has not obtained key-man insurance for any of its senior management personnel or for any of the officers of its subsidiaries, which means that the Company will not receive any cash amounts as a result of the disability or death of a member of senior management. In addition, in order for us to undertake our consulting business operations as contemplated, it will be necessary for us to locate and hire experienced personnel who are knowledgeable in the industry in which EastBridge Sub operates. Failure to attract and retain such experienced personnel on acceptable terms will have a material adverse impact on our ability to grow our consulting services business.

EastBridge Sub does not provide proprietary services.

There is nothing proprietary about the consulting services provided through EastBridge Sub, and EastBridge Sub does not rely upon any intellectual property or other protection for its consulting services business. Any current or future competitors could duplicate the consulting service business model of EastBridge Sub and there would be no legal recourse against these competitors for such actions.

East Bridge Sub is currently being audited.

Our wholly-owned subsidiary EastBridge Investment Corp. is undergoing an audit by the Internal Revenue Service related to employment tax liability of EastBridge Sub for the 2006-2008 tax years, and depending on the outcome of the audit, we may be subject to additional taxes, penalties and restrictions on further business activities or how we account for them. An assessment of additional taxes plus penalties and interest may have a material adverse effect on our finances. We expect the audit process to be completed and resolved in 2013.

RISKS RELATED TO OUR COMMON STOCK

Our share ownership is concentrated.

One stockholder, Global Health Investment Holdings Ltd. (“Global Health”), beneficially owns approximately 45% of our issued and outstanding Common Stock. As a result, that stockholder will exert significant influence over all matters requiring stockholder approval, including the election and removal of directors, any merger, consolidation or sale of all, or substantially all, of the assets, as well as any charter amendment and other matters requiring stockholder approval. This concentration of ownership may delay or prevent a change in control and may have a negative impact on the market price of our Common Stock by discouraging third party investors. The Company is a party to a lockup agreement with Global Health entered into on January 21, 2013, which was assumed by the Company on the closing date of the merger on February 6, 2013. Under the agreement, Global Health agreed for a period of one year after the closing date of the Merger to (i) not offer, sell, agree to sell, contract to sell, hypothecate, pledge, grant any option to purchase, made any short sale, or otherwise dispose of or hedge, directly or indirectly, any of the Company's common stock or any securities convertible into or exchangeable or exercisable for the Company's common stock, or publicly announce an intention to effect any such transaction, in connection with Global Health's shares, or exercise any right without respect to the registration of its shares, or file or cause to be filed any registration statement in connection with its shares without prior written consent of the Company; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, the economic consequences of ownership of Global Health's shares without prior written consent of the Company.

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Our common stock may be subject to the penny stock rules which might make it harder for stockholders to sell.

As a result of our initial stock price, our shares may become subject to the penny stock rules. The application of these penny stock rules may affect stockholders' ability to sell their shares because some broker-dealers may not be willing to make a market in our Common Stock because of the burdens imposed upon them by the penny stock rules which include but are not limited to:

Section 15(g) of the Exchange Act and Exchange Act rules 15g-1 through 15g-6, which impose additional sales practice requirements on broker-dealers who sell Company securities to persons other than established customers and accredited investors.

Exchange Act rule 15g-2 declares unlawful any broker-dealer transactions in penny stocks unless the broker-dealer has first provided to the customer a standardized disclosure document.

Exchange Act rule 15g-3 provides that it is unlawful for a broker-dealer to engage in a penny stock transaction unless the broker-dealer first discloses and subsequently confirms to the customer the current quotation prices or similar market information concerning the penny stock in question.

Exchange Act rule 15g-4 prohibits broker-dealers from completing penny stock transactions for a customer unless the broker-dealer first discloses to the customer the amount of compensation or other remuneration received as a result of the penny stock transaction.

Exchange Act rule 15g-5 requires that a broker-dealer executing a penny stock transaction, other than one exempt under Rule 15g-1, disclose to its customer, at the time of or prior to the transaction, information about the sales person's compensation.

We do not intend to pay cash dividends.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide in our sole discretion not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our board of directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are declared, there is no assurance with respect to the amount of any such dividend.

Because our stock is quoted on the OTCBB and OTCQB, our stockholders may have difficulty selling their stock or experience increased negative volatility in the market price of our stock.

Our common stock is quoted on the OTCBB and OTCQB. The OTCBB and QTCQB are often highly illiquid, in part because they do not have a national quotation system by which potential investors can follow the market price of shares except through information received and generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of volatility for securities that trade on the OTCBB and OTCQB as compared to a national exchange or quotation system. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower or non-existent trading volume, and market conditions. Our stockholders may experience high fluctuations in the market price and volume of the trading market for our securities. These fluctuations, when they occur, have a negative effect on the market price for our securities. Accordingly, our stockholders may not be able to realize a fair price from their shares when they determine to sell them or may have to hold them for a substantial period of time until the market for our common stock improves.

Our operating history and lack of profits could lead to wide fluctuations in our share price. The market price for our common shares is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, as noted above, our common shares are sporadically and thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or "risky" investment due to our limited operating history and lack of profits to date. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond our control and may decrease the market price of our common shares, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our common shares will be at any time, including as to whether our common shares will sustain their current market prices, or as to what effect that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price.

Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. However, the occurrence of these patterns or practices could increase the volatility of our share price.

Our profitability may be negatively impacted due to the fact that a substantial portion of our assets are comprised of securities that are not highly liquid.

A substantial portion of our assets, held by our EastBridge subsidiary, are comprised of securities received as compensation for services rendered and are not highly liquid. There is presently no public market in the majority of the securities held by EastBridge Sub, and it is uncertain if such securities will be listed on a securities exchange or if a market for such securities will ever develop. There is no assurance that an alternative exit strategy will be readily available to realize the fair value of such securities. Accordingly, we are prepared to bear the economic risk of such securities for an indefinite period of time.

If our legal actions against third parties for alleged infringement of our intellectual property rights are not resolved in our favor, our business and prospects may be impaired.

We believe that some of our competitors have inappropriately incorporated our proprietary technology into their products. We are engaged in a number of legal actions against third parties for alleged infringement of our intellectual property rights but we cannot guarantee the outcome of these actions. We will incur significant costs in this litigation and there can be no assurance that we will prevail or that any damages we receive will cover our costs. Furthermore, the litigation may divert our technical and management personnel from their normal responsibilities. The occurrence of any of the foregoing could adversely affect our ability to pursue our business plan. In addition, if the court determines that the patents in question are not as broad as currently believed, or otherwise issues rulings that limit the protection provided by such patents, we may suffer adverse effects from the loss of competitive advantage and our ability to offer unique products and technologies based on such patents. As a result, there could be an adverse impact on our financial condition and business prospects.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Please refer to the Current Report on Form 8K filed with the SEC on September 5, 2013. No other securities were issued during the quarter.

ITEM 5. OTHER INFORMATION

For additional information regarding our Merger, please refer to our current report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2013 as amended on April 24, 2013, including all subsequent amendments, which reports are incorporated by reference.

ITEM 6. EXHIBITS

Exhibits

Exhibit Number	Description
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer, filed herewith.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer, filed herewith.
32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELLULAR BIOMEDICINE GROUP, INC.
(Registrant)

Date: December 26, 2013	By:	/s/ Wei (William) Cao William Cao Chief Executive Officer (Principal Executive Officer)
	By:	/s/ Andrew Chan Andrew Chan Chief Financial Officer (Principal Financial and Accounting Officer)