

Cellular Biomedicine Group, Inc.
Form 10-Q
August 14, 2014

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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

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

Commission File Number 000-52282

CELLULAR BIOMEDICINE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
State of Incorporation

86-1032927
IRS Employer Identification No.

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

(650) 566-5064
(Registrant's telephone number)

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 ☒ No ☐

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 ☒ No ☐

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):

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Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

As of August 1, 2014, there were 9,077,068 shares of common stock, par value \$.001 per share issued and outstanding.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	Condensed Consolidated Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets (unaudited)	3
	Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)	4
	Condensed Consolidated Statements of Cash Flows (unaudited)	5
	Condensed Notes to Consolidated Financial Statements (unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 4.	Controls and Procedures	41

PART II OTHER INFORMATION

Item 1.	Legal Proceedings	42
Item 1A.	Risk Factors	42
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 5.	Other Information	57
Item 6.	Exhibits	58

SIGNATURES		59
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CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 13,563,521	\$ 7,175,215
Accounts receivable	24,000	10,581
Other receivable	63,069	78,521
Inventory	156,490	119,119
Prepaid expenses	437,473	191,572
Total current assets	14,244,553	7,575,008
Investments	10,224,177	5,105,891
Property, plant and equipment, net	819,912	1,014,805
Goodwill	-	3,299,566
Intangibles, net	419,599	601,456
Long-term prepaid expenses and other assets	498,888	-
Total assets (1)	\$ 26,207,129	\$ 17,596,726
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 109,097	\$ 213,891
Accrued expenses	1,071,606	503,717
Advances payable to related party	34,471	67,999
Other current liabilities	1,305,066	1,416,046
Total current liabilities	2,520,240	2,201,653
Total liabilities (1)	2,520,240	2,201,653
Stockholders' equity:		
Preferred stock, par value \$.001, 50,000,000 shares authorized; none issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	-	-
Common stock, par value \$.001, 300,000,000 shares authorized; 9,074,068 and 7,382,797 issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	9,074	7,383
Additional paid in capital	49,757,998	37,861,593
Accumulated deficit	(29,536,773)	(22,415,979)
Accumulated other comprehensive income (loss)	3,456,590	(57,924)
Total stockholders' equity	23,686,889	15,395,073
Total liabilities and stockholders' equity	\$ 26,207,129	\$ 17,596,726

(1) The Company's consolidated assets as of June 30, 2014 and December 31, 2013 included \$1,156,232 and \$1,031,350, respectively, of assets of variable interest entities, or VIEs, that can only be used to settle obligations of the VIEs. Each of the following amounts represent the balances as of June 30, 2014 and December 31, 2013, respectively. These assets include cash and cash equivalents of \$235,795 and \$9,100; other receivables of \$55,943 and \$50,383; inventory of \$35,338 and \$26,526; prepaid expenses of \$216,567 and \$117,676; property, plant and equipment, net, of \$564,169 and \$772,872; and intangibles of \$48,420 and \$54,793. The Company's consolidated liabilities as of June 30, 2014 and December 31, 2013 included \$338,160 and \$387,703, respectively, of liabilities of the VIEs whose creditors have no recourse to the Company. These liabilities include accounts payable of \$22,312 and \$24,868; other payables of \$132,335 and \$268,301; payroll accrual of \$141,284 and \$74,384; and tax payable of \$42,229 and \$20,150. See further description in Note 5, Variable Interest Entity.

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

CELLULAR BIOMEDICINE GROUP, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales and revenue:				
Biomedical	\$ 118,069	\$ -	\$ 179,120	\$ -
Total sales and revenue	118,069	-	179,120	-
Operating expenses:				
Cost of sales	51,953	-	92,553	-
General and administrative	1,719,316	1,578,653	3,101,828	5,758,402
Selling and marketing	44,136	46,552	65,495	52,230
Research and development	642,830	639,276	1,140,977	1,119,781
Total operating expenses	2,458,235	2,264,481	4,400,853	6,930,413
Operating loss	(2,340,166)	(2,264,481)	(4,221,733)	(6,930,413)
Other income:				
Interest income	341	560	565	872
Other income	74,480	22,611	94,617	16,540
Total other income	74,821	23,171	95,182	17,412
Loss from continuing operations before taxes	(2,265,345)	(2,241,310)	(4,126,551)	(6,913,001)
Income tax provision	-	-	-	-
Loss from continuing operations	(2,265,345)	(2,241,310)	(4,126,551)	(6,913,001)
Loss from discontinued Consulting segment	(4,408,918)	(263,204)	(2,994,243)	(1,007,558)
Income tax benefit	-	-	-	-
Loss on discontinued operations	(4,408,918)	(263,204)	(2,994,243)	(1,007,558)
Net loss	\$ (6,674,263)	\$ (2,504,514)	\$ (7,120,794)	\$ (7,920,559)
Other comprehensive loss:				
Cumulative translation adjustment	4,978	31,959	(6,835)	31,959
Unrecognized gain (loss) on investments	4,042,797	(112,253)	3,521,349	(734,573)
Comprehensive loss	\$ (2,626,488)	\$ (2,584,808)	\$ (3,606,280)	\$ (8,623,173)
Earnings per share for continuing operations:				
Basic	\$ (0.29)	\$ (0.39)	\$ (0.54)	\$ (1.33)
Diluted	\$ (0.29)	\$ (0.39)	\$ (0.54)	\$ (1.33)
Earnings per share discontinued operations:				
Basic	\$ (0.56)	\$ (0.05)	\$ (0.39)	\$ (0.19)
Diluted	\$ (0.56)	\$ (0.05)	\$ (0.39)	\$ (0.19)

Earnings per share net loss:

Basic	\$ (0.85)	\$ (0.44)	\$ (0.93)	\$ (1.52)
Diluted	\$ (0.85)	\$ (0.44)	\$ (0.93)	\$ (1.52)

Weighted average common shares
outstanding:

Basic	7,829,314	5,719,075	7,660,974	5,196,583
Diluted	7,829,314	5,719,075	7,660,974	5,196,583

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

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended
June 30,
2014