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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

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

For the transition period from __________ to __________

COMMISSION FILE NUMBER: 001-38728

AVALON GLOBOCARE CORP.
(Exact name of Registrant as specified in its charter)

Delaware	**47-1685128**
(State of incorporation)	(I.R.S. Employer Identification No.)

4400 Route 9 South, Suite 3100, Freehold, New Jersey 07728
(Address of principal executive offices) (zip code)

(732) 780-4400
(Registrant's telephone number, including area code)

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 that 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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	AVCO	The NASDAQ Capital Market

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date

Class	Outstanding August 14, 2019
Common Stock, $0.0001 par value per share	75,655,639 shares

AVALON GLOBOCARE CORP.

FORM 10-Q

June 30, 2019

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FORWARD LOOKING STATEMENTS

This report contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this report. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the headings "Risks Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q and information contained in other reports that we file with the SEC. You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

We file reports with the SEC. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Unless otherwise indicated, references in this report to "we," "us" or the "Company" refer to Avalon GloboCare Corp. and its consolidated subsidiaries.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,401,304	$ 2,252,287
Accounts receivable, net of allowance for doubtful accounts	100,788	9,739
Tenants receivable, net of allowance for doubtful accounts	29,504	42,484
Security deposit	27,309	127,263
Inventory	13,001	12,994
Prepaid expenses - related parties	-	34,190
Prepaid expenses and other current assets	420,473	1,146,475
Total Current Assets	3,992,379	3,625,432
NON-CURRENT ASSETS:		
Property and equipment, net	374,906	249,555
Investment in real estate, net	7,810,549	7,879,885
Intangible assets, net	1,091,903	1,255,689
Equity method investment	363,002	385,162
Total Non-current Assets	9,640,360	9,770,291
Total Assets	$ 13,632,739	$ 13,395,723
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 47,508	$ 6,695
Advance from customer - related party	-	14,829
Accrued liabilities and other payables	747,346	859,350
Accrued liabilities and other payables - related parties	36,806	-
Deferred rental income	13,786	14,136
Interest payable	-	75,342
Interest payable - related party	14,583	-
VAT and other taxes payable	10,727	4,668
Tenants' security deposit	64,037	66,700
Due to related party	100,000	100,000
Total Current Liabilities	1,034,793	1,141,720
NON-CURRENT LIABILITIES:		
Loan payable - noncurrent portion	-	1,000,000
Note payable - related party	1,000,000	-
Derivative liabilities	3,055,748	-
Total Non-current Liabilities	4,055,748	1,000,000
Total Liabilities	5,090,541	2,141,720
Commitments and Contingencies - (Note 18)		
EQUITY:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2019 and December 31, 2018	-	-
Common stock, $0.0001 par value; 490,000,000 shares authorized; 76,175,639 shares issued and 75,655,639 shares outstanding at June 30, 2019; 73,830,751 shares issued and 73,310,751 shares outstanding at December 31, 2018	7,618	7,383
Additional paid-in capital	30,375,711	24,153,378
Less: common stock held in treasury, at cost; 520,000 shares at June 30, 2019 and December 31, 2018	(522,500)	(522,500)
Accumulated deficit	(20,054,816)	(11,291,776)
Statutory reserve	6,578	6,578
Accumulated other comprehensive loss - foreign currency translation adjustment	(228,183)	(236,860)
Total Avalon GloboCare Corp. stockholders' equity	9,584,408	12,116,203
Non-controlling interest	(1,042,210)	(862,200)
Total Equity	8,542,198	11,254,003
Total Liabilities and Equity	$ 13,632,739	$ 13,395,723

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

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
REVENUES				
Real property rental	$ 264,889	$ 278,872	$ 531,515	$ 575,495
Medical related consulting services - related party	111,434	141,996	125,694	141,996
Development services and sales of developed products	23,404	75,225	26,682	86,515
Total Revenues	399,727	496,093	683,891	804,006
COSTS AND EXPENSES				
Real property operating expenses	192,676	195,941	423,435	406,215
Medical related consulting services - related party	95,375	124,715	108,466	124,715
Development services and sales of developed products	31,784	42,093	62,091	58,613
Total Costs and Expenses	319,835	362,749	593,992	589,543
REAL PROPERTY OPERATING INCOME	72,213	82,931	108,080	169,280
GROSS PROFIT FROM MEDICAL RELATED CONSULTING SERVICES	16,059	17,281	17,228	17,281
GROSS (LOSS) PROFIT FROM DEVELOPMENT SERVICES AND SALES OF DEVELOPED PRODUCTS	(8,380)	33,132	(35,409)	27,902
OTHER OPERATING EXPENSES:				
Advertising expenses	221,222	-	465,822	-
Compensation and related benefits	2,100,178	487,452	4,200,333	1,026,266
Professional fees	792,486	593,025	2,260,712	1,164,797
Research and development expenses	949,711	263	1,102,171	263
Other general and administrative	360,047	265,858	869,926	551,110
Total Other Operating Expenses	4,423,644	1,346,598	8,898,964	2,742,436
LOSS FROM OPERATIONS	(4,343,752)	(1,213,254)	(8,809,065)	(2,527,973)
OTHER INCOME (EXPENSE)				
Interest income	433	1,300	1,201	1,708
Interest expense	(8,822)	(24,932)	(34,519)	(261,918)
Interest expense - related party	(12,639)	-	(14,583)	-
Change in fair value of warrants liability	461,493	-	461,493	-
Financing expense	(525,418)		(525,418)	
Loss from equity-method investment	(10,344)	-	(23,087)	-
Foreign currency transaction loss	-	(106,929)	-	(106,929)
Other income	226	-	226	328
Total Other Expense, net	(95,071)	(130,561)	(134,687)	(366,811)
LOSS BEFORE INCOME TAXES	(4,438,823)	(1,343,815)	(8,943,752)	(2,894,784)
INCOME TAXES	-	-	-	-
NET LOSS	$ (4,438,823)	$ (1,343,815)	$ (8,943,752)	$ (2,894,784)
LESS: NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(81,599)	(49,421)	(180,712)	(118,811)
NET LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS	$ (4,357,224)	$ (1,294,394)	$ (8,763,040)	$ (2,775,973)
COMPREHENSIVE LOSS:				
NET LOSS	(4,438,823)	(1,343,815)	(8,943,752)	(2,894,784)
OTHER COMPREHENSIVE INCOME				
Unrealized foreign currency translation gain (loss)	(34,103)	(96,207)	9,379	(43,369)
COMPREHENSIVE LOSS	$ (4,472,926)	$ (1,440,022)	$ (8,934,373)	$ (2,938,153)
LESS: COMPREHENSIVE GAIN (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(79,699)	(49,540)	(180,010)	(118,770)
COMPREHENSIVE LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS	$ (4,393,227)	$ (1,390,482)	$ (8,754,363)	$ (2,819,383)
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS:				
Basic and diluted	$ (0.06)	$ (0.02)	$ (0.12)	$ (0.04)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and diluted	75,183,354	71,979,678	74,437,336	71,122,356

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

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2018 and 2019

	Avalon GloboCare Corp. Stockholders' Equity											
	Preferred Stock		Common Stock			Treasury Stock						
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Number of Shares	Amount	Accumulated Deficit	Statutory Reserve	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Equity
Balance, December 31, 2017	-	-	70,278,622	$ 7,028	$ 11,490,285	-	$ -	$ (3,517,654)	$ 6,578	$ (91,994)	$ (585,394)	$ 7,308,849
Treasury stock purchase	-	-	-	-	-	(520,000)	(522,500)	-	-	-	-	(522,500)
Stock-based compensation and service fees	-	-	-	-	526,348	-	-	-	-	-	-	526,348
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	52,678	160	52,838
Net loss for the three months ended March 31, 2018	-	-	-	-	-	-	-	(1,481,579)	-	-	(69,390)	(1,550,969)
Balance, March 31, 2018	-	-	70,278,622	$ 7,028	$ 12,016,633	(520,000)	$ (522,500)	$ (4,999,233)	$ 6,578	$ (39,316)	$ (654,624)	$ 5,814,566
Common shares issued in equity raise, net of fees associated with equity raise	-	-	3,107,000	311	4,529,984	-	-	-	-	-	-	4,530,295
Common shares issued for services	-	-	175,000	17	466,983	-	-	-	-	-	-	467,000
Stock-based compensation	-	-	-	-	1,021,173	-	-	-	-	-	-	1,021,173
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(96,088)	(119)	(96,207)
Net loss for the three months ended June 30, 2018	-	-	-	-	-	-	-	(1,294,394)	-	-	(49,421)	(1,343,815)
Balance, June 30, 2018	-	-	73,560,622	$ 7,356	$ 18,034,773	(520,000)	$ (522,500)	$ (6,293,627)	$ 6,578	$ (135,404)	$ (704,164)	$ 10,393,012
Balance, December 31, 2018	-	$ -	73,830,751	$ 7,383	$ 24,153,378	(520,000)	$ (522,500)	$ (11,291,776)	$ 6,578	$ (236,860)	$ (862,200)	$ 11,254,003
Issuance of common stock upon cashless exercise of stock warrants	-	-	350,856	35	(35)	-	-	-	-	-	-	-

Issuance of common stock upon cashless excercise of options	-	-	158,932	16	(16)	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	2,272,747	-	-	-	-	-	-	2,272,747
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	44,680	(1,198)	43,482
Net loss for the three months ended March 31, 2019	-	-	-	-	-	-	-	(4,405,816)	-	-	(99,113)	(4,504,929)
Balance, March 31, 2019	-	$ -	74,340,539	$ 7,434	$ 26,426,074	(520,000)	$ (522,500)	$ (15,697,592)	$ 6,578	$ (192,180)	$ (962,511)	$ 9,065,303
Stock-based compensation	-	-	-	-	1,524,139	-	-	-	-	-	-	1,524,139
Issuance of common stock for service	-	-	120,812	13	313,788	-	-	-	-	-	-	313,801
S-3 financing	-	-	1,714,288	171	2,111,710	-	-	-	-	-	-	2,111,881
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(36,003)	1,900	(34,103)
Net loss for the three months ended June 30, 2019	-	-	-	-	-	-	-	(4,357,224)	-	-	(81,599)	(4,438,823)
Balance, June 30, 2019	-	$ -	76,175,639	$ 7,618	$ 30,375,711	(520,000)	$ (522,500)	$ (20,054,816)	$ 6,578	$ (228,183)	$ (1,042,210)	$ 8,542,198

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

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,943,752)	$ (2,894,784)
Adjustments to reconcile net loss from operations to net cash used in operating activities:		
Depreciation and amortization	284,494	247,975
Stock-based compensation and service expense	4,717,907	1,082,923
Loss on equity method investment	23,087	-
Changes in warrants derivative liabilities	(461,493)	-
Allocation of financing expense	525,418	-
Chang in operating assets and liabilities:		
Accounts receivable	(92,113)	(67,542)
Accounts receivable-related parties	-	(150,516)
Tenants receivable	12,980	(58)
Inventory	(74)	(19,892)
Prepaid expenses - related parties	34,629	-
Prepaid expenses and other current assets	379,070	(153,785)
Security deposit	100,000	(308,694)
Accounts payable	41,286	1,740
Advance from customer - related party	(15,030)	-
Accrued liabilities and other payables	(472,671)	176,584
Accrued liabilities and other payables - related parties	3,633	9,811
Deferred rental income	(350)	(1,587)
Interest payable	(75,342)	(113,179)
Interest payable - related party	14,583	-
VAT and other taxes payable	6,143	9,850
Tenants' security deposit	(2,663)	(18,888)
NET CASH USED IN OPERATING ACTIVITIES	(3,920,258)	(2,200,042)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(140,400)	(10,192)
Prepayment for purchase of long-term assets	-	(22,606)
Improvement of commercial real estate	(10,588)	(165,155)
NET CASH USED IN INVESTING ACTIVITIES	(150,988)	(197,953)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from note payable - related party	1,000,000	-
Refund deposit in connection with Share Subscription Agreement-	-	(1,000,000)
Proceeds received from equity offering	6,000,008	5,437,250
Disbursements for equity offering costs	(896,304)	(380,607)
Repayment of loan payable	(1,000,000)	(500,000)
Repurchase of common stock	-	(522,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,103,704	3,034,143
EFFECT OF EXCHANGE RATE ON CASH	116,559	(19,865)
NET INCREASE IN CASH	1,149,017	616,283
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - beginning of period	2,252,287	3,027,033
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - end of period	$ 3,401,304	$ 3,643,316
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 1,039	$ 375,096
Income taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment acquired on credit as payable	$ 25,896	$ -
Acquisition of equipment by decreasing prepayment for long-term assets	$ -	$ 109,889
Common stock issued for future services	$ -	$ 405,250

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

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Avalon GloboCare Corp. (f/k/a Global Technologies Corp.) (the "Company" or "AVCO") is a Delaware corporation. The Company was incorporated under the laws of the State of Delaware on July 28, 2014. On October 18, 2016, the Company changed its name to Avalon GloboCare Corp. and completed a reverse split its shares of common stock at a ratio of 1:4. On October 19, 2016, the Company entered into and closed a Share Exchange Agreement with the shareholders of Avalon Healthcare System, Inc., a Delaware corporation ("AHS"), each of which are accredited investors ("AHS Shareholders") pursuant to which we acquired 100% of the outstanding securities of AHS in exchange for 50,000,000 shares of our common stock (the "AHS Acquisition"). AHS was incorporated on May 18, 2015 under the laws of the State of Delaware. As a result of such acquisition, the Company's operations now are focused on integrating and managing global healthcare services and resources, as well as empowering high-impact biomedical innovations and technologies to accelerate their clinical applications. We are dedicated to advancing cell-based technologies and therapeutics, as well as empowering high-impact biomedical innovations to accelerate their clinical applications. Our ecosystem covers the areas of exosome technology (including liquid biopsy and regenerative therapeutics) and cellular immunotherapy. We plan to integrate technologies and services through joint venture and subsidiary structures that bring shareholder value both in the short term, through operational entities and long term, through biomedical innovation development, such as our recent joint venture for the advancement of exosome isolation systems and related products. AHS owns 100% of the capital stock of Avalon (Shanghai) Healthcare Technology Co., Ltd. ("Avalon Shanghai"), which is a wholly foreign-owned enterprise organized under the laws of the People's Republic of China ("PRC"). Avalon Shanghai was incorporated on April 29, 2016 and is engaged in medical related consulting services for customers.

For accounting purposes, AHS was the surviving entity. The transaction was accounted for as a recapitalization of AHS pursuant to which AHS was treated as the accounting acquirer, surviving and continuing entity although the Company is the legal acquirer. The Company did not recognize goodwill or any intangible assets in connection with this transaction. Accordingly, the Company's historical financial statements are those of AHS and its wholly-owned subsidiary, Avalon Shanghai immediately following the consummation of this reverse merger transaction.

On January 23, 2017, the Company incorporated Avalon (BVI) Ltd., a British Virgin Island company. There was no activity for the subsidiary since its incorporation through June 30, 2019. Avalon (BVI) Ltd. is dormant and is in process of being dissolved.

On February 7, 2017, the Company formed Avalon RT 9 Properties, LLC ("Avalon RT 9"), a New Jersey limited liability company. On May 5, 2017, Avalon RT 9 purchased a real property located in Township of Freehold, County of Monmouth, State of New Jersey, having a street address of 4400 Route 9 South, Freehold, NJ 07728. This property was purchased to serve as the Company's world-wide headquarters for all corporate administration and operation. In addition, the property generates rental income. Avalon RT 9 owns this office building. Currently, Avalon RT 9's business consists of the ownership and operation of the income-producing real estate property in New Jersey.

On July 31, 2017, the Company formed GenExosome Technologies Inc. ("GenExosome") in Nevada.

On October 25, 2017, GenExosome and the Company entered into a Securities Purchase Agreement pursuant to which the Company acquired 600 shares of GenExosome in consideration of $1,326,087 in cash and 500,000 shares of common stock of the Company.

On October 25, 2017, GenExosome entered into and closed an Asset Purchase Agreement with Yu Zhou, MD, PhD, pursuant to which the Company acquired all assets, including all intellectual property, held by Dr. Zhou pertaining to the business of researching, developing and commercializing exosome technologies including, but not limited to, patent application number CN 2016 1 0675107.5 (application of an Exosomal MicroRNA in plasma as biomaker to diagnosis liver cancer), patent application number CN 2016 1 0675110.7 (clinical application of circulating exosome carried miRNA-33b in the diagnosis of liver cancer), patent application number CN 2017 1 0330847.X (saliva exosome based methods and composition for the diagnosis, staging and prognosis of oral cancer) and patent application number CN 2017 1 0330835.7 (a novel exosome-based therapeutics against proliferative oral diseases). In consideration of the assets, GenExosome agreed to pay Dr. Zhou $876,087 in cash, transfered 500,000 shares of common stock of the Company to Dr. Zhou and issued Dr. Zhou 400 shares of common stock of GenExosome.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS (continued)

As a result of the above transactions, effective October 25, 2017, the Company holds 60% of GenExosome and Dr. Zhou holds 40% of GenExosome. GenExosome is engaged in developing proprietary diagnostic and therapeutic products leveraging its exosome technology.

On October 25, 2017, GenExosome entered into and closed a Stock Purchase Agreement with Beijing Jieteng (GenExosome) Biotech Co. Ltd., a corporation incorporated in the People's Republic of China on August 7, 2015 ("Beijing GenExosome") and Dr. Zhou, the sole shareholder of Beijing GenExosome, pursuant to which GenExosome acquired all of the issued and outstanding securities of Beijing GenExosome in consideration of a cash payment in the amount of $450,000.

Beijing GenExosome is engaged in the development of exosome technology to improve diagnosis and management of diseases. Exosomes are tiny, subcellular, membrane-bound vesicles in diameter of 30-150 nm that are released by almost all cell types and that can carry membrane and cellular proteins, as well as genetic materials that are representative of the cell of origin. Profiling various bio-molecules in exosomes may serve as useful biomarkers for a wide variety of diseases. Beijing GenExosome is seeking to decode proteomic and genomic alterations underlying a wide-range of pathologies, thus allowing for the introduction of novel non-invasive "liquid biopsies". Its mission is focused toward diagnostic advancements in the fields of oncology, infectious diseases and fibrotic diseases, and discovery of disease-specific exosomes to provide disease origin insight necessary to enable personalized clinical management.

On July 18, 2018, the Company formed a wholly owned subsidiary, Avactis Biosciences Inc., a Nevada corporation, which will focus on accelerating commercial activities related to cellular therapies, including regenerative medicine with stem/progenitor cells as well as cellular immunotherapy including CAR-T, CAR-NK, TCR-T and others. The subsidiary is designed to integrate and optimize our global scientific and clinical resources to further advance the use of cellular therapies to treat certain cancers. There was no activity for the subsidiary since its incorporation through June 30, 2019.

On June 13, 2019, the Company formed a wholly owned subsidiary, International Exosome Association LLC, a Delaware company. There was no activity for the subsidiary since its incorporation through June 30, 2019.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS (continued)

Details of the Company's subsidiaries which are included in these consolidated financial statements as of June 30, 2019 are as follows:

Name of Subsidiaries	Place and date of Incorporation	Percentage of Ownership	Principal Activities
Avalon Healthcare System, Inc. ("AHS")	Delaware May 18, 2015	100% held by AVCO	Provides medical related consulting services and developing Avalon Cell and Avalon Rehab in United States of America ("USA")
Avalon (BVI) Ltd. ("Avalon BVI")	British Virgin Island January 23, 2017	100% held by AVCO	Dormant, is in process of being dissolved
Avalon RT 9 Properties LLC ("Avalon RT 9")	New Jersey February 7, 2017	100% held by AVCO	Owns and operates an income-producing real property and holds and manages the corporate headquarters
Avalon (Shanghai) Healthcare Technology Co., Ltd. ("Avalon Shanghai")	PRC April 29, 2016	100% held by AHS	Provides medical related consulting services and developing Avalon Cell and Avalon Rehab in China
GenExosome Technologies Inc. ("GenExosome")	Nevada July 31, 2017	60% held by AVCO	Develops proprietary diagnostic and therapeutic products leveraging exosome technology and markets
Beijing Jieteng (GenExosome) Biotech Co., Ltd. ("Beijing GenExosome")	PRC August 7, 2015	100% held by GenExosome	Provides development services for hospitals and other customers and sells developed items to hospitals and other customers in China
Avactis Biosciences Inc. ("Avactis")	Nevada July 18, 2018	100% held by AVCO	Integrate and optimize global scientific and clinical resources to further advance cellular therapies, including regenerative medicine with stem/progenitor cells as well as cellular immunotherapy including CAR-T, CAR-NK, TCR-T and others to treat certain cancers
International Exosome Association LLC	Delaware June 13, 2019	100% held by AVCO	Provides development services for hospitals and other customers and sells developed items in USA

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN

These interim condensed consolidated financial statements of the Company and its subsidiaries are unaudited. In the opinion of management, all adjustments (consisting of normal recurring accruals) and disclosures necessary for a fair presentation of these interim condensed consolidated financial statements have been included. The results reported in the unaudited condensed consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and do not include all information and footnotes necessary for a complete presentation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 26, 2019.

Going Concern

The Company currently has limited operations. Currently, the Company's operations are focused on: (i) real estate property ownership and operation in the United States; (ii) providing outsourced, customized international healthcare services to the rapidly changing health care industry primarily focused in the People's Republic of China; (iii) performing development services for hospitals and other customers and sales of developed products to hospitals and other customers. The Company is also pursuing the provision of healthcare services in the United States. These consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business.

As reflected in the accompanying consolidated financial statements, the Company had an accumulated deficit of $20,054,816 at June 30, 2019, and has incurred recurring net loss and negative cash flow from operating activities of $8,943,752 and $3,920,258 for the six months ended June 30, 2019, respectively. The Company has a limited operating history and its continued growth is dependent upon the continuation of providing medical consulting services to its only four clients who are related parties and generating rental revenue from its income-producing real estate property in New Jersey and performing development services for hospitals and other customers and sales of developed products to hospitals and other customers; hence generating revenues, and obtaining additional financing to fund future obligations and pay liabilities arising from normal business operations. In addition, the current cash balance cannot be projected to cover the operating expenses for the next twelve months from the release date of this report. These matters raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital, implement its business plan, and generate significant revenues. There are no assurances that the Company will be successful in its efforts to generate significant revenues, maintain sufficient cash balance or report profitable operations or to continue as a going concern. The Company plans on raising capital through the sale of equity or debt instruments to implement its business plan. However, there is no assurance these plans will be realized and that any additional financings will be available to the Company on satisfactory terms and conditions, if any.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates during the three and six months ended June 30, 2019 and 2018 include the allowance for doubtful accounts, reserve for obsolete inventory, the useful life of property and equipment and investment in real estate and intangible assets, assumptions used in assessing impairment of long-term assets, valuation of deferred tax assets and the associated valuation allowances, and valuation of stock-based compensation.

Fair Value of Financial Instruments and Fair Value Measurements

The Company adopted the guidance of Accounting Standards Codification ("ASC") 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

- Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the unaudited condensed consolidated balance sheets for cash, accounts receivable, tenants receivable, security deposit, inventory, prepaid expenses and other current assets, accounts payable, accrued liabilities and other payables, accrued liabilities and other payables – related parties, deferred rental income, loan payable, interest payable, interest payable – related party, Value Added Tax ("VAT") and other taxes payable, tenants' security deposit, and due to related party, approximate their fair market value based on the short-term maturity of these instruments.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments and Fair Value Measurements (continued)

At June 30, 2019 and December 31, 2018, intangible assets were measured at fair value on a nonrecurring basis as shown in the following tables.

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019	Impairment Loss
Patents and other technologies	$ -	$ -	$ 1,091,903	$ 1,091,903	$ -

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018	Impairment Loss
Patents and other technologies	$ -	$ -	$ 1,255,689	$ 1,255,689	$ -

Cash

Cash consists of cash on hand and cash in banks. The Company maintains cash with various financial institutions in the PRC and United States. At June 30, 2019 and December 31, 2018, cash balances in PRC are $640,253 and $1,216,485, respectively. Since March 31, 2015, balances at financial institutions and state-owned banks within the PRC are covered by insurance up to RMB 500,000 (USD 73,678) per bank. At June 30, 2019 and December 31, 2018, cash balances in United States are $2,761,051 and $1,035,802, respectively. The Company has not experienced any losses in bank accounts and believes it is not exposed to any risks on its cash in bank accounts.

Concentrations of Credit Risk

Currently, a portion of the Company's operations are carried out in PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC's economy. The Company's operations in PRC are subject to specific considerations and significant risks not typically associated with companies in North America. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, trade accounts receivable and tenants receivable. A portion of the Company's cash is maintained with state-owned banks within the PRC, and none of these deposits are covered by insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts. A portion of the Company's sales are credit sales which is to the customer whose ability to pay is dependent upon the industry economics prevailing in these areas; however, concentrations of credit risk with respect to trade accounts receivable and tenants receivable is limited due to generally short payment terms. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

At June 30, 2019 and December 31, 2018, the Company's cash balances by geographic area were as follows:

Country:	June 30, 2019		December 31, 2018	
United States	$ 2,761,051	81.2%	$ 1,035,802	46.0%
China	640,253	18.8%	1,216,485	54.0%
Total cash	$ 3,401,304	100.0%	$ 2,252,287	100.0%

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection.

Management believes that the accounts receivable are fully collectable. Therefore, no allowance for doubtful accounts is deemed to be required on its accounts receivable at June 30, 2019 and December 31, 2018. The Company historically has not experienced uncollectible accounts from customers granted with credit sales.

Tenants Receivable and Allowance for Doubtful Accounts

Tenants receivable are presented net of an allowance for doubtful accounts. Tenants receivable balance consist of base rents, tenant reimbursements and receivables arising from straight-lining of rents primarily represent amounts accrued and unpaid from tenants in accordance with the terms of the respective leases, subject to the Company's revenue recognition policy. An allowance for the uncollectible portion of tenant receivable is determined based upon an analysis of the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in Freehold, New Jersey in which the property is located.

Management believes that the tenants receivable are fully collectable. Therefore, no allowance for doubtful accounts is deemed to be required on its tenants receivable at June 30, 2019 and December 31, 2018.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. A reserve is established when management determines that certain inventory may not be saleable. If inventory costs exceed expected market value due to obsolescence or quantities in excess of expected demand, the Company will record a write down in inventory for the difference between the cost and the lower of cost or estimated net realizable value. The reserve and write down are recorded based on estimates. The Company determined that certain raw material and finished goods were impaired and has written off a total of $10,074 in the six months ended June 30, 2019, as compared to none in the six months ended June 30, 2018.

Property and Equipment

Property and equipment are carried at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the period of disposition. The Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Real Estate and Depreciation

Investment in real estate is carried at cost less accumulated depreciation and consists of building and improvement. The Company depreciates real estate building and improvement on a straight-line basis over estimated useful life. Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditure for improvements, renovations, and replacements of real estate asset is capitalized and depreciated over its estimated useful life if the expenditure qualifies as betterment. Real estate depreciation expense was $39,962 and $31,806 for the three months ended June 30, 2019 and 2018, respectively. Real estate depreciation expense was $79,923 and $63,611 for the six months ended June 30, 2019 and 2018, respectively.

Intangible Assets

Intangible assets consist of patents and other technologies. Patents and other technologies are being amortized on a straight-line method over the estimated useful life of 5 years.

Investment in Unconsolidated Company – Epicon Biotech Co., Ltd.

The Company uses the equity method of accounting for its investment in, and earning or loss of, company that it does not control but over which it does exert significant influence. The Company considers whether the fair value of its equity method investment has declined below its carrying value whenever adverse events or changes in circumstances indicate that recorded value may not be recoverable. If the Company considers any decline to be other than temporary (based on various factors, including historical financial results and the overall health of the investee), then a write-down would be recorded to estimated fair value. See Note 9 for discussion of equity method investment.

Impairment of Long-lived Assets

In accordance with ASC Topic 360, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not record any impairment charge for the three and six months ended June 30, 2019 and 2018 as there was no impairment indicator noted as of the filing date of this report.

Deferred Rental Income

Deferred rental income represents rental income collected but not earned as of the reporting date. The Company defers the revenue related to lease payments received from tenants in advance of their due dates. As of June 30, 2019 and December 31, 2018, deferred rental income totaled $13,786 and $14,136, respectively.

Value Added Tax

Avalon Shanghai and Beijing GenExosome are subject to a value added tax ("VAT") for providing medical related consulting services and performing development services and sales of developed products. The amount of VAT liability is determined by applying the applicable tax rates to the invoiced amount of medical related consulting services provided and the invoiced amount of development services provided and sales of developed products (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Company reports revenue net of PRC's value added tax for all the periods presented in the consolidated statements of operations.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Effective January 1, 2018, the Company began recognizing revenue under Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"), using the modified retrospective transition method. The impact of adopting the new revenue standard was not material to the Company's consolidated financial statements and there was no adjustment to beginning accumulated deficit on January 1, 2018. The core principle of this new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised goods or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" goods or service (or bundle of goods or services) if both of the following criteria are met:

- The customer can benefit from the goods or service either on its own or together with other resources that are readily available to the customer (i.e., the goods or service is capable of being distinct).
- The entity's promise to transfer the goods or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the goods or service is distinct within the context of the contract).

If a goods or service is not distinct, the goods or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

Types of revenue:

- Rental revenue from leasing commercial property under operating leases with terms of generally three years or more.
- Service fees under consulting agreements with related parties to provide medical related consulting services to its clients. The Company is paid for its services by its clients pursuant to the terms of the written consulting agreements. Each contract calls for a fixed payment.
- Service fees under agreements to perform development services for hospitals and other customers. The Company does not perform contracts that are contingent upon successful results.
- Sales of developed products to hospitals and other customers.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition criteria:

- The Company recognizes rental revenue from its commercial leases on a straight-line basis over the life of the lease including rent holidays, if any. Straight-line rent receivable consists of the difference between the tenants' rents calculated on a straight-line basis from the date of lease commencement over the remaining terms of the related leases and the tenants' actual rents due under the lease agreements and is included in tenants receivable in the accompanying consolidated balance sheets. Revenues associated with operating expense recoveries are recognized in the period in which the expenses are incurred.

- The Company recognizes revenue by providing medical related consulting services under written service contracts with its customers. Revenue related to its service offerings is recognized as the services are performed.

- Revenue from development services performed under written contracts is recognized as services are provided.

- Revenue from sales of developed items to hospitals and other customers is recognized when items are shipped to customers and titles are transferred.

The Company does not offer promotional payments, customer coupons, rebates or other cash redemption offers to its customers.

Office Lease

When a lease contains "rent holidays", the Company records rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as prepaid expenses in the consolidated balance sheets. The Company begins recording rent expense on the lease possession date.

Real Property Operating Expenses

Real property operating expenses consist of property management fees, property insurance, real estate taxes, depreciation, repairs and maintenance fees, utilities and other expenses related to the Company's rental properties.

Medical Related Consulting Services Costs

Costs of medical related consulting services includes the cost of internal labor and related benefits, travel expenses related to consulting services, subcontractor costs, other related consulting costs, and other overhead costs. Subcontractor costs were costs related to medical related consulting services incurred by our subcontractor, such as medical professional's compensation and travel costs.

Development Services and Sales of Developed Products Costs

Costs of development services and sales of developed items includes inventory costs, materials and supplies costs, depreciation, internal labor and related benefits, other overhead costs and shipping and handling costs incurred.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and are included in cost of sales. For the three months ended June 30, 2019 and 2018, shipping and handling costs amounted to $0 and $0, respectively. For the six months ended June 30, 2019 and 2018, shipping and handling costs amounted to $0 and $25, respectively.

Research and Development

Expenditures for research and product development costs are expensed as incurred. The Company incurred research and development expense in the amount of $949,711 and $263 for the three months ended June 30, 2019 and 2018, respectively. The Company incurred research and development expense in the amount of $1,102,171 and $263 for the six months ended June 30, 2019 and 2018, respectively.

Advertising Costs

All costs related to advertising are expensed as incurred. For the three and six months ended June 30, 2019, advertising costs amounted to $221,222 and $465,822, respectively. We did not incur any advertising expense during the three and six months ended June 30, 2018.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based Compensation

The Company accounts for its stock-based compensation awards in accordance with Accounting Standards Codification ("ASC") Topic 718, Compensation—Stock Compensation ("ASC 718"). ASC 718 requires all stock-based payments to employees and non-employees including grants of stock options, to be recognized as expense in the statements of operations based on their grant date fair values. The Company estimates the grant date fair value of each option award using the Black-Scholes option-pricing model. The use of the Black-Scholes option-pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected life of the option, risk-free interest rates and expected dividend yields of the common stock.

The Company periodically issues common stock, warrants and common stock options to consultants for various services. Costs of these transactions are measured at the fair value of the service received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete.

Income Taxes

The Company accounts for income taxes using the asset/liability method prescribed by ASC 740, "Income Taxes." Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 "Income Taxes". Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of June 30, 2019 and December 31, 2018, the Company had no significant uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax year that remains subject to examination is the years ended December 31, 2018, 2017 and 2016. The Company recognizes interest and penalties related to significant uncertain income tax positions in other expense. However, no such interest and penalties were recorded as of June 30, 2019 and December 31, 2018.

In December 2017, the United States Government passed new tax legislation that, among other provisions, lowered the corporate tax rate from 35% to 21%. In addition to applying the new lower corporate tax rate in 2018 and thereafter to any taxable income the Company may have, the legislation affects the way the Company can use and carryforward net operating losses previously accumulated and results in a revaluation of deferred tax assets and liabilities recorded on the balance sheet. Given that current deferred tax assets are offset by a full valuation allowance, these changes will have no net impact on the balance sheet. However, when the Company becomes profitable, the Company will receive a reduced benefit from such deferred tax assets.

Foreign Currency Translation

The reporting currency of the Company is the U.S. dollar. The functional currency of the parent company, AHS, Avalon RT 9, GenExosome, and Avactis, is the U.S. dollar and the functional currency of Avalon Shanghai and Beijing GenExosome, is the Chinese Renminbi ("RMB"). For the subsidiaries whose functional currency is the RMB, result of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balances on the balance sheets. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive income/loss. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date with any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All of the Company's revenue transactions are transacted in the functional currency of the operating subsidiaries. The Company does not enter into any material transaction in foreign currencies. Transaction gains or losses have not had, and are not expected to have, a material effect on the results of operations of the Company.

Asset and liability accounts at June 30, 2019 and December 31, 2018 were translated at 6,8668 RMB to $1.00 and at 6.8785 RMB to $1.00, respectively, which were the exchange rates on the balance sheet dates. Equity accounts were stated at their historical rates. The average translation rates applied to the statements of operations for the six months ended June 30, 2019 and 2018 were 6.7863 RMB and 6.3701 RMB to $1.00, respectively. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate.

Comprehensive Loss

Comprehensive loss is comprised of net loss and all changes to the statements of equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. For the Company, comprehensive loss for the three and six months ended June 30, 2019 and 2018 consisted of net loss and unrealized gain from foreign currency translation adjustment.

Per Share Data

ASC Topic 260 "Earnings per Share," requires presentation of both basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Basic net loss per share are computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of the common shares issuable upon the exercise of common stock options and warrants (using the treasury stock method). Common stock equivalents are not included in the calculation of diluted net loss per share if their effect would be anti-dilutive. In a period in which the Company has a net loss, all potentially dilutive securities are excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact.

The following table presents a reconciliation of basic and diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net loss available to Avalon GloboCare Corp. common shareholders for basic and diluted net loss per share of common stock	$ (4,357,224)	$ (1,294,394)	$ (8,763,040)	$ (2,775,973)
Weighted average common stock outstanding - basic and diluted	75,183,354	71,979,678	74,437,336	71,122,356
Net loss per common share attributable to Avalon GloboCare Corp. common shareholders - basic and diluted	$ (0.06)	$ (0.02)	$ (0.12)	$ (0.04)

The following table summarizes the securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Stock options	5,070,000	2,610,000	5,070,000	2,610,000
Warrants	1,714,288	578,891	1,714,288	578,891
Potentially dilutive securities	6,784,288	3,188,891	6,784,288	3,188,891

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Acquisition

The Company accounts for business acquisition in accordance with ASC No. 805, Business Combinations. The assets acquired and liabilities assumed from the acquired business are recorded at fair value, with the residual of the purchase price recorded as goodwill. The result of operations of the acquired business is included in the Company's operating result from the date of acquisition.

Non-controlling Interest

As of June 30, 2019, Dr. Yu Zhou, director and Co-Chief Executive Officer of GenExosome, who owned 40% of the equity interests of GenExosome, which is not under the Company's control.

Segment Reporting

The Company uses "the management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker is the chief executive officer ("CEO") and president of the Company, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. The Company has determined that it has three reportable business segments: real property operating segment, medical related consulting services segment, and development services and sales of developed products segment. These reportable segments offer different types of services and products, have different types of revenue, and are managed separately as each requires different operating strategies and management expertise.

Related Parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all significant related party transactions.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications have no effect on the previously reported financial position, results of operations and cash flows.

Reverse Stock Split

The Company effected a one-for-four reverse stock split of its common stock on October 18, 2016. All share and per share information has been retroactively adjusted to reflect this reverse stock split.

Fiscal Year End

The Company has adopted a fiscal year end of December 31st

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases", ("ASU 842") which amended the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 842 is effective for public companies during interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued ASU No. 2018-11, which permits entities to record the right-of-use asset and lease liability on the date of adoption, with no requirement to recast comparative periods.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company adopted ASU 842 effective January 1, 2019 using the optional transition method of recognizing a cumulative-effect adjustment to the opening balance of accumulated deficit on January 1, 2019. Therefore, comparative financial information was not adjusted and continues to be reported under the prior lease accounting guidance in ASU 840. The Company elected the transition relief package of practical expedients, and as a result, the Company did not assess 1) whether existing or expired contracts contain embedded leases, 2) lease classification for any existing or expired leases, and 3) whether lease origination costs qualified as initial direct costs. The Company elected the short-term lease practical expedient by establishing an accounting policy to exclude leases with a term of 12 months or less, as well as the land easement practical expedient for maintaining its current accounting policy for existing or expired land easements.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,* to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees and supersedes the guidance in Subtopic 505-50, *Equity - Equity-Based Payments to Non-Employees*. Under ASU 2018-07, equity-classified nonemployee share-based payment awards are measured at the grant date fair value on the grant date. The probability of satisfying performance conditions must be considered for equity-classified nonemployee share-based payment awards with such conditions. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of ASU 2018-13 is to improve the effectiveness of disclosures in the notes to the financial statements by removing, modifying, and adding certain fair value disclosure requirements to facilitate clear communication of the information required by generally accepted accounting principles. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 with early adoption permitted upon issuance of this ASU. The Company is currently evaluating the potential impact of this new guidance.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

NOTE 4 – INVENTORY

At June 30, 2019 and December 31, 2018, inventory consisted of the following:

	June 30, 2019	December 31, 2018
Raw material	$ 12,553	$ 12,953
Finished goods	448	41
	13,001	12,994
Less: reserve for obsolete inventory	-	-
	$ 13,001	$ 12,994

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

At June 30, 2019 and December 31, 2018, prepaid expenses and other current assets consisted of the following:

	June 30, 2019	December 31, 2018
Prepaid professional fees	$ 279,433	$ 607,833
Prepaid research and development service fees	3,609	300,000
Prepaid insurance expense	4,640	72,352
Prepaid listing fee	61,667	-
Prepaid dues and subscriptions	12,500	70,000
Other	58,624	96,290
	$ 420,473	$ 1,146,475

NOTE 6 – PROPERTY AND EQUIPMENT

At June 30, 2019 and December 31, 2018, property and equipment consisted of the following:

	Useful life	June 30, 2019	December 31, 2018
Laboratory equipment	5 Years	$ 422,976	$ 258,345
Office equipment and furniture	3 – 10 Years	36,791	35,627
Leasehold improvement	Shorter of useful life or lease term	-	24,446
		459,767	318,418
Less: accumulated depreciation		(84,861)	(68,863)
		$ 374,906	$ 249,555

For the three months ended June 30, 2019 and 2018, depreciation expense of property and equipment amounted to $23,508 and $10,897, respectively, of which, $818 and $819 was included in real property operating expenses, $17,130 and $5,864 was included in costs of development services and sales of developed products, and $5,560 and $4,214 was included in other operating expenses, respectively.

For the six months ended June 30, 2019 and 2018, depreciation expense of property and equipment amounted to $40,785 and $20,578, respectively, of which, $1,637 and $1,638 was included in real property operating expenses, $30,485 and $9,632 was included in costs of development services and sales of developed products, and $8,662 and $9,308 was included in other operating expenses, respectively.

NOTE 7 – INVESTMENT IN REAL ESTATE

At June 30, 2019 and December 31, 2018, investment in real estate consisted of the following:

	Useful life	June 30, 2019	December 31, 2018
Commercial real property building	39 Years	$ 7,708,571	$ 7,708,571
Improvement	12 Years	402,094	391,506
		8,110,665	8,100,077
Less: accumulated depreciation		(300,116)	(220,192)
		$ 7,810,549	$ 7,879,885

For the three months ended June 30, 2019 and 2018, depreciation expense of this commercial real property amounted to $39,962 and $31,806, which was included in real property operating expenses.

For the six months ended June 30, 2019 and 2018, depreciation expense of this commercial real property amounted to $79,923 and $63,611, which was included in real property operating expenses.

NOTE 8 – INTANGIBLE ASSETS

At June 30, 2019 and December 31, 2018, intangible assets consisted of the following:

	Useful Life	June 30, 2019	December 31, 2018
Patents and other technologies	5 Years	$ 1,583,260	$ 1,583,260
Less: accumulated amortization		(491,357)	(327,571)
		$ 1,091,903	$ 1,255,689

For the three months ended June 30, 2019 and 2018, amortization expense amounted to $81,893. For the six months ended June 30, 2019 and 2018, amortization expense amounted to $163,786.

NOTE 8 – INTANGIBLE ASSETS (continued)

Amortization of intangible assets attributable to future periods is as follows:

Year ending June 30:	Amortization amount
2020	$ 327,571
2021	327,571
2022	327,571
2023	109,190
	$ 1,091,903

NOTE 9 – EQUITY METHOD INVESTMENT

As of June 30, 2019 and December 31, 2018, equity method investment amounted to $363,002 and $385,162, respectively. The investment represents the Company's subsidiary, Avalon Shanghai's interest in Epicon Biotech Co., Ltd. ("Epicon"). Epicon was incorporated on August 14, 2018 in PRC. Avalon Shanghai and the other unrelated company, Jiangsu Unicorn Biological Technology Co., Ltd. ("Unicorn"), accounted for 40% and 60% of the total ownership, respectively. Epicon is focused on cell preparation, third party testing, biological sample repository for commercial and scientific research purposes and the clinical transformation of scientific achievements.

The Company treats the equity investment in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Company's share of the incorporated-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post incorporation change in the Company's share of the investee's net assets and any impairment loss relating to the investment. For the three and six months ended June 30, 2019, the Company's share of Epicon's net loss was $ 10,344 and $23,087, respectively, which was included in loss from equity-method investment in the accompanying consolidated statements of operations and comprehensive loss.

The tables below present the summarized financial information, as provided to the Company by the investee, for the unconsolidated company.

	June 30, 2019	December 31, 2018
Current assets	$ 48,033	$ 301,714
Noncurrent assets	204,181	7,015
Current liabilities	38	38
Noncurrent liabilities	-	-
Equity	252,177	308,691

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Net revenue	$ -	$ -
Gross profit	-	-
Loss from operation	25,861	57,717
Net loss	25,861	57,717

NOTE 10 – ACCRUED LIABILITIES AND OTHER PAYABLES

At June 30, 2019 and December 31, 2018, accrued liabilities and other payables consisted of the following:

	June 30, 2019	December 31, 2018
Accrued payroll liability	$ 109,318	$ 529,472
Accrued professional fees	484,453	166,077
Lab equipment purchase payable		-
Insurance payable		45,088
Accrued dues and subscriptions	82,776	42,500
Other	70,799	76,213
	$ 747,346	$ 859,350

NOTE 11 – LOAN PAYABLE

On April 19, 2017, the Company entered into a loan agreement, providing for the issuance of a loan in the principal amount of $2,100,000. The term of the loan is one year. On May 3, 2018, the Company signed an extension agreement with the maturity date of March 31, 2019. On August 3, 2018, the Company signed an extension agreement for the loan with the maturity date of March 31, 2020. The annual interest rate for the loan is 10%. The loan is guaranteed by the Company's Chairman, Mr. Wenzhao Lu. The Company repaid principal of $600,000, $500,000 and $1,000,000 in November 2017, April 2018 and April 2019, respectively. As of June 30, 2019, the outstanding principal balance of the loan was $0.

NOTE 12 – VAT AND OTHER TAXES PAYABLE

At June 30, 2019 and December 31, 2018, VAT and other taxes payable amounted to $10,727 and 4,668, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

Medical Related Consulting Services Revenue from Related Party and Accounts Receivable – Related Party

During the three and six months ended June 30, 2019 and 2018, medical related consulting services revenue from related parties was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Medical related consulting services provided to:				
Beijing Daopei (1)	$ 41,648	$ 141,996	$ 55,908	$ 141,996
Shanghai Daopei (2)	14,180	-	14,180	-
Hebei Daopei (3)	55,606	-	55,606	-
	$ 111,434	$ 141,996	$ 125,694	$ 141,996

(1) Beijing Daopei is a subsidiary of an entity whose chairman is Wenzhao Lu, the major shareholder of the Company.
(2) Shanghai Daopei is a subsidiary of an entity whose chairman is Wenzhao Lu, the major shareholder of the Company.
(3) Hebei Daopei is a subsidiary of an entity whose chairman is Wenzhao Lu, the major shareholder of the Company.

Accounts receivable – related party, net of allowance for doubtful accounts, at June 30, 2019 and December 31, 2018 amounted to $58,251 and $0, respectively, and no allowance for doubtful accounts is deemed to be required on accounts receivable – related party at June 30, 2019 and December 31, 2018.

NOTE 13 – RELATED PARTY TRANSACTIONS (continued)

Prepaid Expenses – Related Parties

As of June 30, 2019 and December 31, 2018, the Company made prepayment of $0 and $1,897, respectively, to David Jin, its shareholder, chief executive officer, president and board member, for business travel reimbursement, which have been included in prepaid expenses – related parties on the accompanying consolidated balance sheets.

As of June 30, 2019 and December 31, 2018, the Company made prepayment of $0 and $32,293, respectively, to Meng Li, its shareholder and chief operating officer, for business travel reimbursement, which have been included in prepaid expenses – related parties on the accompanying consolidated balance sheets.

Advance from Customer – Related Party

At June 30, 2019 and December 31, 2018, advance from customer – related party amounted to $0 and $14,829, respectively, which represents prepayment received from our related party, Beijing Daopei, for medical related consulting services. When the services are performed, the amount recorded as advance from customer – related party is recognized as revenue.

Accrued Liabilities and Other Payables – Related Parties

At June 30, 2019 and December 31, 2018, the Company owed Luisa Ingargiola, its chief financial officer, of $36,806 and $0, respectively, for travel and other miscellaneous reimbursements, which have been included in accrued liabilities and other payables – related parties on the accompanying consolidated balance sheets.

Due to Related Party

In connection with the acquisition discussed elsewhere in this report, the Company acquired Beijing GenExosome in cash payment of $450,000. On October 25, 2017, Dr. Yu Zhou, the former sole shareholder of Beijing GenExosome, was appointed to the board of directors of GenExosome and served as co-chief executive officer of GenExosome. As of June 30, 2019 and December 31, 2018, the unpaid acquisition consideration of $100,000, was payable to Dr. Yu Zhou, co-chief executive officer and board member of GenExosome, and reflected as due to related party on the accompanying consolidated balance sheets.

Real Property Management Agreement

The Company pays a company, which is controlled by Wenzhao Lu, the Company's largest shareholder and chairman of the Board of Directors, for the management of its commercial real property located in New Jersey. The property management agreement commenced on May 25, 2017 and expired in March 2019. On March 1, 2019, the Company entered into a contract with a third-party consultant to manage its real property till February 2020. For the three months ended June 30, 2019 and 2018, the management fee related to the property management agreement amounted to $30,753 and $16,251, respectively. For the six months ended June 30, 2019 and 2018, the management fee related to the property management agreement amounted to $54,087 and $32,502, respectively.

Note Payable – Related Party

On March 18, 2019, the Company issued Wenzhao Lu, the Company's largest shareholder and chairman of the Board of Directors, a Promissory Note in the principal amount of $1,000,000 ("Promissory Note") in consideration of cash in the amount of $1,000,000. The Promissory Note accrues interest at the rate of 5% per annum and matures March 19, 2022.

As of June 30, 2019, the outstanding principal balance of the note and related accrued and unpaid interest for the note was $1,000,000 and $14,583, respectively.

Office Space from Related Party

Beijing GenExosome uses office space of a related party, free of rent, which is considered immaterial.

NOTE 14 – DERIVATIVE LIABILITIES

On April 25, 2019, the Company issued 1,714,288 five-year warrants to several third party institutional investors in a registered direct offering (see Note 15). The warrants include the fundamental transaction provisions and the exercise price of the warrants is protected against down-round financing throughout the term of the warrants. Upon evaluation, the warrants meet the definition of derivative liabilities under FASB ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. Accordingly, the fair value of the warrants was classified as derivative liabilities of $3,517,241 on the issuance date, April 25, 2019. The estimated fair value of the warrants were computed at issuance using Black-Scholes option-pricing model, with the following assumptions: stock price of $2.82, volatility of 100.87%, risk-free rate of 2.33%, annual dividend yield of 0% and expected life of 5 years.

The estimated fair value of the outstanding warrant as derivative liabilities was $3,055,748 at June 30, 2019.The estimated fair value of the warrants were computed as of June 30, 2019 using Black-Scholes option-pricing model, with the following assumptions: stock price of $2.60, volatility of 97.69%, risk-free rate of 1.76%, annual dividend yield of 0% and expected life of 4.82 years.

Increases or decreases in fair value of the derivative liabilities are included as a component of total other income / expenses in the accompanying consolidated statements of operations for the respective period. The changes to the derivative liabilities for the warrants resulted in a decrease of $461,493 in the derivative liabilities and the corresponding increase in other income as a gain for the three and six months ended June 30, 2019.

NOTE 15 – EQUITY

Shares Authorized

The Company is authorized to issue 10,000,000 shares of preferred stock and 490,000,000 shares of common shares with a par value of $0.0001 per share.

There are no shares of its preferred stock issued and outstanding as of June 30, 2019 and December 31, 2018.

There are 76,175,639 and 73,830,751 shares of its common stock issued as of June 30, 2019 and December 31, 2018, respectively.

There are 75,655,639 and 73,310,751 shares of its common stock outstanding as of June 30, 2019 and December 31, 2018, respectively.

Common Shares Issued for Warrant Exercise

On January 9, 2019, the Company issued 350,856 shares of its common stock upon cashless exercise of warrants to purchase 578,891 shares of common stock

Common Shares Issued for Option Exercise

On February 27, 2019, the Company issued 158,932 shares of its common stock upon cashless exercise of options to purchase 200,000 shares of common stock.

Common Shares Issued for Service Fee

On April 1, 2019, the Company issued a total of 120,812 shares of its common stock in payment of service fee from certain consultants.

Units Sold for Cash

On April 25, 2019, the Company entered into a purchase agreement with several third party institutional investors for the purchase of 1,714,288 units in a registered direct offering, for gross proceeds of $6,000,008 before placement agent fees and other offering expenses payable by the Company. Each unit was sold at a public offering price of $3.50 and consists of one share of common stock and a warrant to purchase one share of common stock. The Company received net cash proceeds of $5,103,704, net of cash paid for placement agent fees and other offering expenses.

The warrants are exercisable immediately as of the date of issuance (the "Initial Exercise Date"), at an exercise price of $3.50 per share, subject to adjustment as provided in the warrants, and expire on the fifth (5^{th}) anniversary of the Initial Exercise Date. The warrants include anti-dilution rights, which provide that if at any time the warrants are outstanding, the Company issues or is deemed to have issued any common stock or common stock equivalents for consideration less than the then current exercise price of the warrants, the exercise price of such warrants is automatically reduced to the lowest price per share of consideration provided or deemed to have been provided for such securities (subject to adjustment for reverse and forward stock splits, recapitalizations and similar transactions). The warrants include the fundamental transaction provisions and the exercise price of the warrants is protected against down-round financing throughout the term of the warrants. Upon evaluation, the warrants meet the definition of a derivative under FASB ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances (see Note 14).

NOTE 15 – EQUITY (continued)

Options

The following table summarizes the shares of the Company's common stock issuable upon exercise of options outstanding at June 30, 2019:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at June 30, 2019	Range of Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at June 30, 2019	Weighted Average Exercise Price
$ 0.50	2,000,000	7.62	$ 0.50	1,611,111	$ 0.50
1.49	60,000	2.83	1.49	60,000	1.49
1.00	50,000	3.34	1.00	50,000	1.00
1.00	80,000	1.34	1.00	80,000	1.00
2.50	110,000	3.51	2.50	110,000	2.50
1.00	80,000	1.84	1.00	80,000	1.00
2.30	20,000	3.93	2.30	20,000	2.30
2.30	20,000	4.01	2.30	20,000	2.30
2.80	20,000	4.08	2.80	20,000	2.80
2.80	20,000	4.12	2.80	20,000	2.80
1.00	180,000	2.34	1.00	180,000	1.00
2.75	240,000	4.51	2.75	120,000	2.75
2.00	1,950,000	4.51	2.00	975,000	2.00
4.76	60,000	4.77	4.76	20,000	4.76
2.52	180,000	2.84	2.52	60,000	2.52
$ 0.50–4.76	5,070,000	5.45	$ 1.43	3,426,111	$ 1.25

Stock options granted to employee and director

Employee and director stock option activities for the six months ended June 30, 2019 were as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2018	2,280,000	$ 0.69
Granted	2,250,000	2.15
Terminated / Exercised	-	-
Outstanding at June 30, 2019	4,530,000	$ 1.41
Options exercisable at June 30, 2019	3,006,111	$ 1.25
Options expected to vest	1,523,889	$ 1.75

NOTE 15 – EQUITY (continued)

Options (continued)

Stock options granted to employee and director (continued)

The fair values of options granted to employee and director during the six months ended June 30, 2019 and 2018, respectively, were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Dividend rate	0	0
Terms (in years)	5.0	5.0
Volatility	149.74% -150.61%	175.94% - 185.28%
Risk-free interest rate	2.31% - 2.49%	2.25% - 2.78%

The aggregate fair value of the options granted to employee and director during the six months ended June 30, 2019 was $5,956,574, of which, $1,510,545 and $2,935,484 for the three and six months ended June 30, 2019, respectively, has been reflected as compensation and related benefits on the accompanying unaudited condensed consolidated statements of operations because the options were fully earned and non-cancellable.

The aggregate fair value of the options granted to employee and director during the six months ended June 30, 2018 was $337,523, of which, $79,193 and $151,480 for the three and six months ended June 30, 2018, respectively, has been reflected as compensation and related benefits on the accompanying unaudited condensed consolidated statements of operations because the options were fully earned and non-cancellable.

As of June 30, 2019, the aggregate value of nonvested employee and director options was $3,507,201, which will be amortized as stock-based compensation expense as the options are vesting, over the remaining 0.58 years.

The aggregate intrinsic values of the employee and director stock options outstanding and the employee and director stock options exercisable at June 30, 2019 was $5,539,600 and $4,137,933, respectively.

A summary of the status of the Company's nonvested employee and director stock options granted as of June 30, 2019 and changes during the six months ended June 30, 2019 is presented below:

	Number of Options	Weighted Average Exercise Price	Grant Date Fair Value
Nonvested at December 31, 2018	722,222	$ 0.50	$ 902,779
Granted	2,250,000	2.15	5,956,574
Vested	(1,448,333)	(1.76)	(3,352,152)
Nonvested at June 30, 2019	1,523,889	$ 1.75	$ 3,507,201

Stock Options Granted to Non-employee

Non-employee stock option activities for the six months ended June 30, 2019 were as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2018	560,000	$ 1.06
Granted	180,000	2.52
Exercised	(200,000)	1.00
Outstanding at June 30, 2019	540,000	1.57
Options exercisable at June 30, 2019	420,000	$ 1.30
Options expected to vest	-	$ -

NOTE 15 – EQUITY (continued)

Options (continued)

Stock Options Granted to Non-employee (continued)

The fair values of these non-employee options vested in six months ended June 30, 2019 and 2018, and nonvested non-employee options as of June 30, 2019 and 2018, respectively, were estimated using the Black-Scholes option-pricing model with the following assumptions:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Dividend rate	0	0
Terms (in years)	3.00 – 5.00	2.51 - 3.0
Volatility	150.35% – 151.70%	172.87% - 188.29%
Risk-free interest rate	2.28% - 2.51%	2.29% - 2.66%

Stock-based compensation expense associated with stock options granted to non-employee is recognized as the stock options vest. The stock-based compensation expense related to non-employee will fluctuate as the fair value of the Company's common stock fluctuates. Stock-based compensation expense associated with stock options granted to non-employee amounted to $444,732 and $383,042 for the six months ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, the aggregate value of vested and nonvested non-employee options was $905,696, which will be amortized as stock-based compensation expense over the remaining 0.33 years.

The aggregate intrinsic values of the non-employee stock options outstanding and the non-employee stock options exercisable at June 30, 2019 was $557,900 and $548,800, respectively.

A summary of the status of the Company's nonvested non-employee stock options granted as of June 30, 2019 and changes during the six months ended June 30, 2019 is presented below:

	Number of Options	Weighted Average Exercise Price	Fair Value at June 30, 2019
Nonvested at December 31, 2018	193,333	$ 1.12	
Granted	180,000	2.52	
Vested	(193,333)	(1.12)	
Forfeited	-	-	
Nonvested at June 30, 2019	180,000	$ 2.52	$ -

In the three months ended June 30, 2019, the overall value of common stock granted at unit price below $3.50 and stock options granted at exercise price below $3.50 to non-employee is $490,098.

NOTE 16 – STATUTORY RESERVE

Avalon Shanghai and Beijing GenExosome operate in the PRC, are required to reserve 10% of their net profit after income tax, as determined in accordance with the PRC accounting rules and regulations. Appropriation to the statutory reserve by the Company is based on profit arrived at under PRC accounting standards for business enterprises for each year.

The profit arrived at must be set off against any accumulated losses sustained by the Company in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. The Company did not make any appropriation to statutory reserve for Avalon Shanghai and Beijing GenExosome during the six months ended June 30, 2019 as they incurred net losses in the period.

NOTE 17 – NONCONTROLLING INTEREST

As of June 30, 2019, Dr. Yu Zhou, director and Co-Chief Executive Officer of GenExsome, who owned 40% of the equity interests of GenExosome, which is not under the Company's control. The following is a summary of noncontrolling interest activities in the six months ended June 30, 2019.

		Amount
Noncontrolling interest at December 31, 2018	$	(862,200)
Net loss attributable to noncontrolling interest		(180,712)
Foreign currency translation adjustment attributable to noncontrolling interest		702
Noncontrolling interest at June 30, 2019	$	(1,042,210)

NOTE 18 – RESTRICTED NET ASSETS

A portion of the Company's operations are conducted through its PRC subsidiaries, which can only pay dividends out of their retained earnings determined in accordance with the accounting standards and regulations in the PRC and after they have met the PRC requirements for appropriation to statutory reserve. In addition, a portion of the Company's businesses and assets are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts. These currency exchange control procedures imposed by the PRC government authorities may restrict the ability of the Company's PRC subsidiaries to transfer their net assets to the Parent Company through loans, advances or cash dividends.

Schedule I of Article 5-04 of Regulation S-X requires the condensed financial information of the parent company to be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of this test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of its consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company in the form of loans, advances or cash dividends without the consent of a third party.

The Company's PRC subsidiaries' net assets as of June 30, 2019 and December 31, 2018 did not exceed 25% of the Company's consolidated net assets. Accordingly, Parent Company's condensed financial statements have not been required in accordance with Rule 5-04 and Rule 12-04 of SEC Regulation S-X.

NOTE 19 – COMMITMENTS AND CONTINCENGIES

Operating Leases

Beijing GenExosome Beijing Office Lease

In March 2019, Beijing GenExosome signed an agreement to lease its office space under operating lease. Pursuant to the signed lease, the annual rent is RMB 7,000 (approximately $1,000). The term of this lease is one year commencing on March 15, 2019 and expires on March 14, 2020. For the three and six months ended June 30, 2019, rent expense related to the lease amounted to $255 and $510, respectively.

Future minimum rental payment required under this operating lease is as follows:

Year Ending June 30:		Amount
2020	$	680
Total	$	680

NOTE 19 – COMMITMENTS AND CONTINCENGIES (continued)

Avalon Shanghai Office Lease

On January 19, 2017, Avalon Shanghai entered into a lease for office space in Beijing, China, with a third party (the "Beijing Office Lease"). Pursuant to the Beijing Office Lease, the monthly rent is RMB 50,586 (approximately $7,367) with a required security deposit of RMB 164,764 (approximately $23,994). In addition, Avalon Shanghai needs to pay monthly maintenance fees of RMB 4,336 (approximately $631). The term of the Beijing Office Lease is 26 months commencing on January 1, 2017 and expired on February 28, 2019 with two months of free rent in the months of December 2017 and February 2019. On December 27, 2018, Avalon Shanghai signed an extension for the lease with expiration date of February 29, 2020. For the three months ended June 30, 2019 and 2018, rent expense and maintenance fees related to the Beijing Office Lease amounted to approximately $20,000 and $23,000, respectively. For the six months ended June 30, 2019 and 2018, rent expense and maintenance fees related to the Beijing Office Lease amounted to approximately $42,000- and $49,000, respectively.

Future minimum rental payment required under the Beijing Office Lease is as follows:

Year Ending June 30:	Amount
2020	$ 63,985
Total	$ 63,985

Insurance Premium Financing Agreement

On July 18, 2018, the Company entered into a financing agreement, providing for the issuance of a loan in the principal amount of $108,528. The term of the loan is for a period of 10 months from the execution of the agreement. The annual interest rate for the loan is 6.9%. All of financed amount is used to pay for Directors & Officers Insurance premium. At June 30, 2019 and December 31, 2018, the outstanding principal balance of the loan and related unpaid interest was $0 and $45,088, respectively, which was included in the accrued liabilities and other payables on the accompanying consolidated balance sheets.

Equity Investment Commitment

On May 29, 2018, Avalon Shanghai entered into a Joint Venture Agreement with Jiangsu Unicorn Biological Technology Co., Ltd. ("Unicorn"), pursuant to which a company named Epicon Biotech Co., Ltd. ("Epicon") was formed on August 14, 2018. Epicon is owned 60% by Unicorn and 40% by Avalon Shanghai. Within two years of execution of the Joint Venture Agreement, Unicorn shall invest cash into Epicon in an amount not less than RMB 8,000,000 (approximately $1.2 million) and the premises of the laboratories of Nanjing Hospital of Chinese Medicine for exclusive use by Epicon, and Avalon Shanghai shall invest cash into Epicon in an amount not less than RMB 10,000,000 (approximately $1.5 million). Epicon is focused on cell preparation, third party testing, biological sample repository for commercial and scientific research purposes and the clinical transformation of scientific achievements. As of June 30, 2019, Avalon Shanghai has contributed RMB 3,000,000 (approximately $0.4 million) that was included in equity method investment on the accompanying consolidated balance sheets. Avalon Shanghai intends to use its present working capital together with loans/borrowings/equity raise to fund the project cost.

NOTE 19 – COMMITMENTS AND CONTINCENGIES (continued)

Joint Venture – AVAR BioTherapeutics (China) Co. Ltd.

On October 23, 2018, Avactis Biosciences, Inc. ("Avactis"), a wholly-owned subsidiary of the Company, and Arbele Limited ("Arbele") agreed to the establishment of AVAR BioTherapeutics (China) Co. Ltd. ("AVAR"), a Sino-foreign equity joint venture, pursuant to an Equity Joint Venture Agreement (the "AVAR Agreement"), which will be owned 60% by Avactis and 40% by Arbele. The purpose and business scope of the Joint Venture is to research, develop, produce, sell, distribute and generally commercialize CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy in China. Avactis is required to contribute USD $10 million (or equivalent in RMB) in cash and/or services, which shall be contributed in tranches based on milestones to be determined jointly by AVAR and Avactis in writing subject to Avactis' cash reserves. Within 30 days, Arbele shall make contribution of USD $6.66 million in the form of entering into a License Agreement with AVAR granting AVAR with an exclusive right and license in China to its technology and intellectual property pertaining to CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy technology and any additional technology developed in the future with terms and conditions to be mutually agreed upon Avactis and AVAR and services.

In addition, Avactis is responsible for:

- Contributing registered capital of RMB 5,000,000 (approximately $730,000) for working capital purposes as required by local regulation, which is not required to be contributed immediately and will be contributed subject to Avactis' discretion;
- assist AVAR in setting up its business operations and obtaining all required permits and licenses from the Chinese government;
- assisting AVAR in recruiting, hiring and retaining personnel;
- providing AVAR with access to various hospital networks in China to assist in the testing and commercialization of the CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy technology in China;
- assisting AVAR in managing the Good Manufacturing Practices (GMP) facility and clinic to be developed by AVAR;
- providing AVAR with advice pertaining to conducting clinicals in China; and
- Within 6 days of signing the AVAR Agreement, Avactis is required to pay to Arbele $300,000 as a research and development fee with an additional two payments of $300,000 (for a total of $900,000) to be paid upon mutually agreed upon milestones.

Under AVAR Agreement, Arbele shall be responsible for the following:

- Entering into a License Agreement with AVAR; and
- Providing AVAR with research and development expertise pertaining to clinical laboratory medicine when hired by AVAR.

As of the date of this report, Avactis has paid $600,000 to Arbele as research and development fee, AVAR is in process of being established and the License Agreement has not been finalized.

NOTE 20 – SEGMENT INFORMATION

For the three and six months ended June 30, 2019 and 2018, the Company operated in three reportable business segments - (1) the real property operating segment, (2) the medical related consulting services segment, and (3) the performing development services for hospitals and other customers and sales of developed products to hospitals and other customers segment. The Company's reportable segments are strategic business units that offer different services and products. They are managed separately based on the fundamental differences in their operations. Information with respect to these reportable business segments for the three and six months ended June 30, 2019 and 2018 was as follows:

NOTE 20 – SEGMENT INFORMATION (continued)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues				
Real property operating	$ 264,889	$ 278,872	$ 531,515	$ 575,495
Medical related consulting services – related party	111,434	141,996	125,694	141,996
Development services and sales of developed products	23,404	75,225	26,682	86,515
	399,727	496,093	683,891	804,006
Depreciation and amortization				
Real property operating	40,780	32,625	81,561	65,249
Medical related consulting services	4,766	3,991	7,706	7,997
Development services and sales of developed products	100,443	87,980	195,853	174,729
	145,989	124,596	285,120	247,975
Interest expense				
Real property operating	8,819	24,932	32,877	261,918
Medical related consulting services	-	-	-	-
Development services and sales of developed products	-	-	-	-
	8,819	24,932	32,877	261,918
Net income (loss)				
Real property operating	(3,690)	5,617	(102,379)	(232,083)
Medical related consulting services	(54,627)	16,456	(244,697)	(157,018)
Development services and sales of developed products	(230,406)	(196,896)	(478,188)	(297,028)
Other (a)	(4,150,100)	(1,168,992)	(8,118,488)	(2,208,655)
	$ (4,438,823)	$ (1,343,815)	$ (8,943,752)	$ (2,894,784)

Identifiable long-lived tangible assets at June 30, 2019 and December 31, 2018	June 30, 2019	December 31, 2018
Real property operating	$ 7,810,549	$ 7,898,224
Medical related consulting services	3,417	6,852
Development services and sales of developed products	371,489	224,364
	$ 8,185,455	$ 8,129,440

Identifiable long-lived tangible assets at June 30, 2019 and December 31, 2018	June 30, 2019	December 31, 2018
United States	$ 7,907,804	$ 7,898,806
China	277,651	230,634
	$ 8,185,455	$ 8,129,440

(a) The Company does not allocate any interest expense and general and administrative expense of its being a public company activities to its reportable segments as these activities are managed at a corporate level.

NOTE 21 – CONCENTRATIONS

Customers

The following table sets forth information as to each customer that accounted for 10% or more of the Company's revenues for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
Customer	2019	2018	2019	2018
A (Beijing Daopei, a related party)	14.0%	29%	8.2%	18%
B (Hebei Daopei, a related party)	13.9%	16%	8.1%	20%
C	20.2%	11%	23.8%	13%
D	13.5%	*	15.9%	11%

* Less than 10%

Three customers, whose outstanding receivable accounted for 10% or more of the Company's total outstanding accounts receivable and accounts receivable – related party and tenants receivable at June 30, 2019, accounted for 83.5% of the Company's total outstanding accounts receivable and accounts receivable – related party and tenants receivable at June 30, 2019.

Two customers, whose outstanding receivable accounted for 10% or more of the Company's total outstanding accounts receivable and accounts receivable – related party and tenants receivable at December 31, 2018, accounted for 56.0% of the Company's total outstanding accounts receivable and accounts receivable – related party and tenants receivable at December 31, 2018.

Suppliers

Four suppliers accounted for 10% or more of the Company's purchase during the three and six months ended June 30, 2019. Three suppliers accounted for 10% or more of the Company's purchase during the three and six months ended June 30, 2018.

Four suppliers, whose outstanding payable accounted for 10% or more of the Company's total outstanding accounts payable at June 30, 2019, accounted for 87.5% of the Company's total outstanding accounts payable at June 30, 2019.

Three supplier, whose outstanding payable accounted for 10% or more of the Company's total outstanding accounts payable at December 31, 2018, accounted for 95.5% of the Company's total outstanding accounts payable at December 31, 2018.

Concentrations of Credit Risk

At June 30, 2019 and December 31, 2018, cash balances in the PRC are $640,253 and $1,216,485, respectively, are uninsured. The Company has not experienced any losses in PRC bank accounts and believes it is not exposed to any risks on its cash in PRC bank accounts.

The Company maintains its cash in United States bank and financial institution deposits that at times may exceed federally insured limits. At June 30, 2019 and December 31, 2018, the Company's cash balances in United States bank accounts had approximately $2,761,051 and $239,000 in excess of the federally-insured limits, respectively. The Company has not experienced any losses in its United States bank accounts through and as of the date of this report.

NOTE 22 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the filing.

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

The following discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2019 and 2018 should be read in conjunction with our unaudited condensed consolidated financial statements and related notes to those unaudited condensed consolidated financial statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors, Special Note Regarding Forward-Looking Statements and Business sections in our Form 10-K as filed with the Securities and Exchange Commission on March 26, 2019. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements.

Unless otherwise indicated, references to the "Company", "us" or "we" refer to Avalon GloboCare Corp. and its consolidated subsidiaries.

Overview

Avalon GloboCare Corp. is a clinical-stage, leading CellTech bio-developer dedicated to advancing and empowering innovative, transformative immune effector cell therapy and exosome technology. Avalon also provides strategic advisory and outsourcing services to facilitate and enhance its clients' growth, development, as well as competitiveness in healthcare and CellTech industry markets.

Avalon's subsidiary and joint venture structure contribute to investor flexibility and R&D focus, enabling Avalon to establish our leading role in the fields of immune effector cell therapy (including CAR-T and CAR-NK), exosome-based regenerative therapeutics (our ACTEX™ platform), as well as "liquid biopsy" diagnostics.

Avalon achieves and fosters seamless integration of unique verticals to bridge and accelerate innovative research, bio-process development, clinical programs and product commercialization.
Avalon's upstream innovative research includes:

- Co-development of Avalon Clinical-grade Tissue-specific Exosome ("ACTEX™") with Weill Cornell Medicine

- Novel therapeutic and diagnostic targets development utilizing QTY-code protein design technology with Massachusetts Institute of Technology (MIT)

- Co-development of next generation, transposon-based, multi-target CAR-T, CAR-NK and other immune effector cell therapeutic modalities with Arbele Corp.

Avalon's midstream bio-processing and bio-production facility is located in Nanjing, China with state-of-the-art, automated GMP and QC/QA infrastructure for standardized bio-manufacturing of clinical-grade cellular products involved in our clinical programs in immune effector cell therapy, regenerative therapeutics, as well as bio-banking.

Avalon's downstream medical team and facility consists of top-rated affiliated hospital network and experts specialized in hematology, oncology, cellular immunotherapy, hematopoietic stem/progenitor cell transplant, as well as regenerative therapeutics. Our major clinical programs include:

AVA-001: Avalon has initiated its first-in-human clinical trial of CD19 CAR-T candidate, AVA-001 in August 2019 at the Hebei Yanda Lu Daopei Hospital and Beijing Lu Daopei Hospital in China (the world's single largest CAR-T treatment network with over 600 patients being treated with CAR-T) for the indication of relapsed/refractory B-cell acute lymphoblastic leukemia and non-Hodgkin Lymphoma. The AVA-001 candidate is characterized by the utilization of 4-1BB (CD137) co-stimulatory signaling pathway, conferring a strong anti-cancer activity during pre-clinical study. It also features a shorter bio-manufacturing time which leads to advantage of prompt treatment to patients with these dreadful hematologic malignancies. Avalon plans to recruit 20 patients (under registered clinical trial NCT03952523) for safety and efficacy studies.

AVA-101: Avalon's transposon-based, multi-targeted CAR-T candidate, AVA-101 (co-developed with Arbele Corp.) will enter pre-clinical process development and validation phase during Q3 2019 as scheduled. AVA-101 features non-viral, transposon-engineered CAR-T with multiple anti-cancer targets, as well as possessing molecular safety-switch mechanism to minimize the side effects, such as cytokine release syndrome and neurotoxicity, often associated with conventional CAR-T cellular therapy. Avalon anticipates this next generation of potentially more effective and safer CAR-T candidate will proceed to first-in-human clinical study in later part of 2020.

AVA-202: Avalon has recently completed the standardized bio-production process of tissue-specific, clinical-grade exosomes, a co-development endeavor with Weill Cornell Medicine with focus on angiogenic exosomes derived from endothelial cells which promote blood vessel formation and wound healing. Avalon is further developing this technology platform into a therapeutic candidate, AVA-202, and plan to initiate international multi-centered clinical studies in unmet medical areas of vascular diseases and wound healing, including treatment of diabetic foot ulcer.

The commercialization phase of Avalon's ACTEX™-based product development is underway to enter the markets of skin care, scar removal, and hair growth through in-house development and strategic partnership.

In the period ending June 30, 2019 we generated revenue by selling exosome isolation systems in China through our joint venture GenExosome Technologies, Inc. In addition, we provide medical related consulting services in advanced areas of immunotherapy and second opinion/referral services through our wholly-owned subsidiary Avalon (Shanghai) Healthcare Technology Co., Ltd., or Avalon Shanghai. We also own and operate rental commercial real property in New Jersey, where we are headquartered. Recent feedback received from our research partners is that our exosome isolation system does not produce consistent results and does not deliver high exosome yields and concentrations. It is unclear if this is a result of incorrect use of the system or a flaw in the underlying system. As a result, we have discontinued sales of these isolation systems until we complete our internal assessment and determine if the system is viable for broad commercial use.

On May 29, 2018, Avalon Shanghai entered into a Joint Venture Agreement with Jiangsu Unicorn Biological Technology Co., Ltd., or Unicorn, pursuant to which a company named Epicon Biotech Co., Ltd. ("Epicon") was formed on August 14, 2018. Epicon is owned 60% by Unicorn and 40% by Avalon Shanghai. Within two years of execution of the Joint Venture Agreement, Unicorn shall invest cash into Epicon in an amount not less than RMB 8,000,000 (approximately $1.2 million) and the premises of the laboratories of Nanjing Hospital of Chinese Medicine for exclusive use by Epicon, and Avalon Shanghai shall invest cash into Epicon in an amount not less than RMB 10,000,000 (approximately $1.5 million). The board of directors of Epicon shall consist of five members with Unicorn appointing three members and Avalon Shanghai appointing two members. Epicon will be focused on cell preparation, third party testing, biological sample repository for commercial and scientific research purposes and the clinical transformation of scientific achievements. As of the date hereof, Unicorn has invested the premises of the laboratories of Nanjing Hospital of Chinese Medicine and Avalon Shanghai has contributed RMB 3,000,000 (approximately $0.4 million). Epicon is focused on cell preparation, third party testing, biological sample repository for commercial and scientific research purposes and the clinical transformation of scientific achievements.

On July 18, 2018, the Company formed a wholly owned subsidiary, Avactis Biosciences, Inc., a Nevada corporation, which will be focused on accelerating commercial activities related to Chimeric Antigen Receptor (CAR)-T technologies. The subsidiary is designed to integrate and optimize our global scientific and clinical resources to further advance the use of CAR-T to treat certain cancers.

On July 30, 2018, the Company signed a Letter of Intent with Arbele Limited, a Hong Kong company ("Arbele") for a proposed strategic partnership agreement. The purpose of the proposed transaction is to form a joint venture company, AVAR BioTherapeutics (China) Co. Ltd., to develop, manufacture, and commercializing CAR-T immunotherapy for treating cancer patients in China, utilizing intellectual property from Arbele and the clinical platform of the LuDaopei Medical Group in China. The Company paid a $100,000 fee to Arbele for a five-month exclusive right to complete the definitive agreements for the transaction. On October 23, 2018, Avactis Biosciences, Inc. ("Avactis"), a wholly-owned subsidiary of the Company, and Arbele agreed to the establishment of AVAR BioTherapeutics (China) Co. Ltd. ("AVAR"), a Sino-foreign equity joint venture, pursuant to an Equity Joint Venture Agreement (the "AVAR Agreement"), which will be owned 60% by Avactis and 40% by Arbele. The purpose and business scope of the Joint Venture is to research, develop, produce, sell, distribute and generally commercialize CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy in China. Avactis is required to contribute USD $10 million (or equivalent in RMB) in cash and/or services, which shall be contributed in tranches based on milestones to be determined jointly by AVAR and Avactis in writing subject to Avactis' cash reserves. Within 30 days, Arbele shall make contribution of USD $6.66 million in the form of entering into a License Agreement with AVAR granting AVAR with an exclusive right and license in China to its technology and intellectual property pertaining to CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy technology and any additional technology developed in the future with terms and conditions to be mutually agreed upon Avactis and AVAR and services.

In addition, Avactis is responsible for:

- Contributing registered capital of RMB 5,000,000 (approximately $730,000) for working capital purposes as required by local regulation, which is not required to be contributed immediately and will be contributed subject to Avactis' discretion;

- assist AVAR in setting up its business operations and obtaining all required permits and licenses from the Chinese government;

- assisting AVAR in recruiting, hiring and retaining personnel;

- providing AVAR with access to various hospital networks in China to assist in the testing and commercialization of the CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy technology in China;

- assisting AVAR in managing the Good Manufacturing Practices (GMP) facility and clinic to be developed by AVAR;

- providing AVAR with advice pertaining to conducting clinicals in China; and

- Within 6 days of signing the AVAR Agreement, Avactis is required to pay to Arbele $300,000 as a research and development fee with an additional two payments of $300,000 (for a total of $900,000) to be paid upon mutually agreed upon milestones.

Under AVAR Agreement, Arbele shall be responsible for the following:

- Entering into a License Agreement with AVAR; and

- Providing AVAR with research and development expertise pertaining to clinical laboratory medicine when hired by AVAR.

As of the date of this report, Avactis has paid $600,000 to Arbele as research and development fee, AVAR is in process of being established and the License Agreement has not been finalized.

AVAR's Board of Directors shall consist of three directors, of which two (2) directors shall be appointed by Avactis who shall initially be David Jin, M.D., Ph.D and one other director to be determined by Avactis and agreed to by Arbele. One director shall be appointed by Arbele who shall initially be John Luk, Dr. Med.Sc., EMBA.

On August 6, 2018, the Company entered into a strategic partnership agreement with Weill Cornell's cGMP Cellular Therapy Facility and Laboratory for Advanced Cellular Engineering headed by Dr. Yen-Michael Hsu. This strategic partnership aims to co-develop bio-production and standardization procedures in procurement, storage, processing, clinical study protocols, and bio-banking for Chimeric Antigen Receptor (CAR)-T therapy, in accordance with the Foundation of Accreditation for Cellular Therapy (FACT) and American Association of Blood Banks (AABB) standards. This partnership also includes a CAR-T education program to support and foster collaborative research and training programs for scientists and clinicians between Weill Cornell and Hebei Yanda LuDaopei Hospital, which is our main affiliated clinical facility as well as the world's single largest medical institution in CAR-T therapy.

The value of the Renminbi ("RMB"), the main currency used in China, fluctuates and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies such as the U.S. dollar have generally been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets.

Going Concern

We have a limited operating history and our continued growth is dependent upon the continuation of providing medical consulting services to our only four clients who are related parties and generating rental revenue from our income-producing real estate property in New Jersey and performing development services for hospitals and other customers and sales of developed products to hospitals and other customers; hence generating revenues, and obtaining additional financing to fund future obligations and pay liabilities arising from normal business operations. We had an accumulated deficit of $20,054,816 at June 30, 2019, and incurred recurring net loss and negative cash flows from operating activities of $8,943,752 and $3,920,258 for the six months ended June 30, 2019, respectively. In addition, the current cash balance cannot be projected to cover the operating expenses for the next twelve months from the release date of this report. These matters raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements appearing elsewhere in this report do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances we will be successful in our efforts to generate significant revenues or report profitable operations or to continue as a going concern, in which event investors would lose their entire investment in our company.

Our ability to continue as a going concern is dependent upon our ability to carry out our business plan, achieve profitable operations, obtain additional working capital funds from our significant shareholders, and or through debt and equity financings. However, there can be no assurance that any additional financings will be available to us on satisfactory terms and conditions, if any.

Currently, the Company is planning to either borrow funds or raise additional capital through equity or debt financings. However, we cannot be certain that such capital (from our stockholders or third parties) will be available to us or whether such capital will be available on terms that are acceptable to us. Any such financing likely would be dilutive to existing stockholders and could result in significant financial operating covenants that would negatively impact our business. If we are unable to raise sufficient additional capital on acceptable terms, we will have insufficient funds to operate our business or pursue our planned growth.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to the allowance for doubtful accounts, reserve for obsolete inventory, the useful life of property and equipment and investment in real estate and intangible assets, assumptions used in assessing impairment of long-term assets, valuation of deferred tax assets and the associated valuation allowances, and valuation of stock-based compensation.

We base our estimates on historical experience and on various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

Effective January 1, 2018, we began recognizing revenue under Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”), using the modified retrospective transition method. The impact of adopting the new revenue standard was not material to our consolidated financial statements and there was no adjustment to beginning accumulated deficit on January 1, 2018. The core principle of this new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised goods or service that is distinct. A performance obligation meets ASC 606’s definition of a “distinct” goods or service (or bundle of goods or services) if both of the following criteria are met:

The customer can benefit from the goods or service either on its own or together with other resources that are readily available to the customer (i.e., the goods or service is capable of being distinct).

The entity's promise to transfer the goods or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the goods or service is distinct within the context of the contract).

If a goods or service is not distinct, the goods or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

Types of revenue:

- Rental revenue from leasing commercial property under operating leases with terms of generally three years or more.
- Service fees under consulting agreements with related parties to provide medical related consulting services to our clients. We are paid for our services by our clients pursuant to the terms of the written consulting agreements. Each contract calls for a fixed payment.
- Service fees under agreements to perform development services for hospitals and other customers. We do not perform contracts that are contingent upon successful results.
- Sales of developed products to hospitals and other customers.

Revenue recognition criteria:

- We recognize rental revenue from our commercial leases on a straight-line basis over the life of the lease including rent holidays, if any. Straight-line rent receivable consists of the difference between the tenants' rents calculated on a straight-line basis from the date of lease commencement over the remaining terms of the related leases and the tenants' actual rents due under the lease agreements and is included in tenants receivable in the accompanying consolidated balance sheets. Revenues associated with operating expense recoveries are recognized in the period in which the expenses are incurred.
- We recognize revenue by providing medical related consulting services under written service contracts with our customers. Revenue related to our service offerings is recognized as the services are performed.
- Revenue from development services performed under written contracts is recognized as services are provided.
- Revenue from sales of developed items to hospitals and other customers is recognized when items are shipped to customers and titles are transferred.

We do not offer promotional payments, customer coupons, rebates or other cash redemption offers to our customers.

Income Taxes

We are governed by the income tax laws of China and the United States. Income taxes are accounted for pursuant to ASC 740 "Accounting for Income Taxes," which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. The charge for taxes is based on the results for the period as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is changed to equity. Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and we intend to settle its current tax assets and liabilities on a net basis.

Non-controlling Interest

As of June 30, 2019, Dr. Yu Zhou, director and co- chief executive officer of GenExosome, who owned 40% of the equity interests of GenExosome, which is not under our control.

Recent Accounting Pronouncements

For details of applicable new accounting standards, please, refer to Recent Accounting Pronouncements in Note 3 of our consolidated financial statements accompanying this report.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the Three and Six Months Ended June 30, 2019 and 2018

Revenues

For the three months ended June 30, 2019, we had real property rental revenue of $264,889, as compared to $278,872 for the three months ended June 30, 2018, a decrease of $13,983, or 5.0%. For the six months ended June 30, 2019, we had real property rental revenue of $531,515, as compared to $575,495 for the six months ended June 30, 2018, a decrease of $43,980, or 7.6%. The decrease in the six months ended June 30, 2019 was primarily attributable to the loss of a tenant in December 2018.

For the three months ended June 30, 2019, we had medical related consulting services revenue from related party of $111,434, as compared to $141,996 for the three months ended June 30, 2018, a decrease of $30,562, or 21.5%. For the six months ended June 30, 2019, we had medical related consulting services revenue from related party of $125,694, as compared to $141,996 for the six months ended June 30, 2018, a decrease of $16,302, or 11.5%. The decrease was primarily attributable to business fluctuation period over period.

For the three months ended June 30, 2019, we had revenue from contract services through performing development services for hospitals and other customers and sales of developed products to hospitals and other customers of $23,404, as compared to $75,225 for the three months ended June 30, 2018, a decrease of $51,821, or 68.9%. For the six months ended June 30, 2019, we had revenue from contract services through performing development services for hospitals and other customers and sales of developed products to hospitals and other customers of $26,682, as compared to $86,515 for the six months ended June 30, 2018, a decrease of $59,833, or 69.2%. The decrease was mainly attributable to business fluctuation period over period.

Costs and Expenses

Real property operating expenses consist of property management fees, property insurance, real estate taxes, depreciation, repairs and maintenance fees, utilities and other expenses related to our rental properties.

For the three months ended June 30, 2019, our real property operating expenses amounted to $192,676, as compared to $195,941 for the three months ended June 30, 2018, a decrease of $3,265, or 1.7%. For the six months ended June 30, 2019, our real property operating expenses amounted to $423,435, as compared to $406,215 for the six months ended June 30, 2018, an increase of $17,220 or 4.2%. The change in three and six months ended June 30, 2019 was mainly due to increase in real property management fee.

Costs of medical related consulting services include the cost of internal labor and related benefits, travel expenses related to medical related consulting services, subcontractor costs, other related consulting costs, and other overhead costs. Subcontractor costs were costs related to medical related consulting services incurred by our subcontractor, such as medical professional’s compensation and travel costs.

For the three months ended June 30, 2019, costs of medical related consulting services amounted to $95,375, as compared to $124,715 for the three months ended June 30, 2018, a decrease of $29,340, or 23.5%, which mainly attributable to the decrease in revenue. For the six months ended June 30, 2019, costs of medical related consulting services amounted to $108,466, as compared to $124,715 for the six months ended June 30, 2018, a decrease of $16,249, or 13.0%, which mainly attributable to the decrease in revenue.

Costs of development services and sales of developed products include inventory costs, materials and supplies costs, internal labor and related benefits, depreciation, other overhead costs and shipping and handling costs incurred.

For the three months ended June 30, 2019, costs of development services for hospitals and other customers and sales of developed products to hospitals and other customers amounted to $31,784, as compared to $42,093 for the three months ended June 30, 2018, a decrease of $10,309, or 24.5%. For the six months ended June 30, 2019, costs of development services for hospitals and other customers and sales of developed products to hospitals and other customers amounted to $62,091, as compared to $58,613 for the six months ended June 30, 2018, an increase of $3,478, or 5.9%. The increase in the six months ended June 30, 2019 was mainly due to (i) the increase in depreciation related to our newly purchased manufacturing equipment which we started depreciating from the fourth quarter of 2018 and the first quarter of 2019; (ii) the slight increase in labor costs.

Real Property Operating Income

Our real property operating income for the three months ended June 30, 2019 was $72,213, representing a decrease of $10,718, or 12.9%, as compared to $82,931 for the three months ended June 30, 2018. Our real property operating income for the six months ended June 30, 2019 was $108,080, representing a decrease of $61,200, or 36.2%, as compared to $169,280 for the six months ended June 30, 2018. The three and six months decrease was mainly attributable the decrease in rental revenue resulting from the loss of a tenant.

Gross Profit from Medical Related Consulting Services and Gross Margin

Gross profit from medical related consulting services for the three months ended June 30, 2019 was $16,059, as compared to $17,281 for the three months ended June 30, 2018, a change of $1,222, or 7.1%. Gross profit from medical related consulting services for the six months ended June 30, 2019 was $17,228, as compared to $17,281 for the six months ended June 30, 2018, a change of $53, or 0.3%.

Gross margin increased to 14.4% for the three months ended June 30, 2019 from gross margin of 12.2% for the three months ended June 30, 2018. Gross margin increased to 13.7% for the six months ended June 30, 2019 from gross margin of 12.2% for the six months ended June 30, 2018. The increase in gross margin for the three and six months ended June 30, 2019 as compared to the corresponding 2018 periods were primarily attributable to business fluctuation period over period.

Gross Profit from Development Services and Sales of Developed Products and Gross Margin

Our gross loss from development services and sales of developed products for the three months ended June 30, 2019 was $8,380, as compared to gross profit $33,132 for the three months ended June 30, 2018, a change of $41,512, or 125.3%. Our gross loss from development services and sales of developed products for the six months ended June 30, 2019 was $35,409, as compared to gross profit $27,902 for the six months ended June 30, 2018, a change of $63,311, or 226.9%.

Gross margin decreased to -35.8% for the three months ended June 30, 2019 from 44.0% for the three months ended June 30, 2018. Gross margin decreased to -132.7% for the six months ended June 30, 2019 from 32.3% for the six months ended June 30, 2018. The decrease in gross margin for the three and six months ended June 30, 2019 as compared to the comparable 2018 periods were primarily attributable to the significant decrease in revenue.

Other Operating Expenses

For the three and six months ended June 30, 2019 and 2018, other operating expenses consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Advertising expenses	$ 221,222	$ -	$ 465,822	$ -
Compensation and related benefits	2,100,178	487,452	4,200,333	1,026,266
Professional fees	792,486	593,025	2,260,712	1,164,797
Research and development	949,711	263	1,102,171	263
Amortization	81,893	81,893	163,786	163,786
Travel and entertainment	109,578	82,085	297,014	140,033
Other general and administrative	168,576	101,880	409,126	247,291
	$ 4,423,644	$ 1,346,598	$ 8,898,964	$ 2,742,436

- For the three and six months ended June 30, 2019, we incurred advertising expenses of $221,222 and $465,822, respectively, to publicize and enhance our image. We did not incur any advertising expenses in the three and six months ended June 30, 2018.

- For the three months ended June 30, 2019, compensation and related benefits increased by $1,612,726, or 330.8%, as compared to the three months ended June 30, 2018. The significant increase was primarily attributable to an increase in compensation of approximately $1,300,000 which reflected the value of options granted and vested to our management in the second quarter of 2019. For the six months ended June 30, 2019, compensation and related benefits increased by $3,174,067, or 309.3%, as compared to the six months ended June 30, 2018. The significant increase was primarily attributable to an increase in compensation of approximately $2,500,000 which reflected the value of options granted and vested to our management in the six months ended June 30, 2019.

- Professional fees primarily consisted of accounting fees, audit fees, legal service fees, consulting fees, investor relations service charges and other fees incurred for service related to being a public company. For the three months ended June 30, 2019, professional fees increased by $199,461, or 33.6%, as compared to the three months ended June 30, 2018. The increase was mainly attributable to an increase in investor relations of approximately $310,000 reflecting our business expansion. For the six months ended June 30, 2019, professional fees increased by $1,095,915, or 94.1%, as compared to the six months ended June 30, 2018. The increase was mainly attributable to an increase in consulting fees of approximately $785,000 due to the increase in use of consulting services providers and an increase in investor relations of approximately $283,000 reflecting our business expansion.

- For the three months ended June 30, 2019, research and development expenses increased by $949,448, as compared to the three months ended June 30, 2018. We spent $949,711 in research and development activities related to the development of proprietary diagnostic and therapeutic products leveraging exosome technology and optimization of Exosome Isolation Systems in the quarter ended June 30, 2019. For the six months ended June 30, 2019, research and development expenses increased by $1,101,908, as compared to the six months ended June 30, 2018. We spent $1,102,171 in research and development activities related to the development of proprietary diagnostic and therapeutic products leveraging exosome technology and optimization of Exosome Isolation Systems in the first quarter of 2019.

- Amortization expense from intangible assets remained materially consistent with prior year comparable periods.

- For the three months ended June 30, 2019, travel and entertainment expense increased by $27,493, or 33.5%, as compared to the three months ended June 30, 2018. For the six months ended June 30, 2019, travel and entertainment expense increased by $156,981, or 112.1%, as compared to the six months ended June 30, 2018. The increase was mainly due to increased business travel activities incurred and increased entertainment expenditure in order to enhance our visibility in the three and six months ended June 30, 2019.

- Other general and administrative expenses mainly consisted of academic sponsorship, Directors and Officers Insurance, and other miscellaneous items. For the three months ended June 30, 2019, other general and administrative expenses increased by $66,696, or 65.5%, as compared to the three months ended June 30, 2018. The increase was primarily due to an increase in Directors and Officers Insurance of approximately $33,000 and other various items of approximately $33,000. For the six months ended June 30, 2019, other general and administrative expenses increased by $161,835, or 65.4%, as compared to the six months ended June 30, 2018. The increase was primarily due to an increase in Directors and Officers Insurance of approximately $67,000, and an increase in other various items of approximately of $95,000.

Loss from Operations

As a result of the foregoing, for the three months ended June 30, 2019, loss from operations amounted to $4,343,752, as compared to $1,213,254 for the three months ended June 30, 2018, a change of $3,130,498, or 258.0%. As a result of the foregoing, for the six months ended June 30, 2019, loss from operations amounted to $8,809,065, as compared to $2,527,973 for the six months ended June 30, 2018, a change of $6,281,092, or 248.5%.

Other Income (Expense)

Other income (expense) mainly includes interest expense and loss from equity-method investment.

Other expense, net, totaled $95,071 for the three months ended June 30, 2019, as compared to other expense, net, of $130,561 for the three months ended June 30, 2018, a change of $35,490, which was primarily attributable to a decrease in Foreign currency transaction loss of $106,929 And an increase in gain from change in derivative liabilities of approximately $461,000, offset by an increase in financing costs of approximately $525,000.

Other expense, net, totaled $134,687 for the six months ended June 30, 2019, as compared to other expense, net, $366,811 for the six months ended June 30, 2018, a change of $232,124, which was primarily attributable to a decrease in Foreign currency transaction loss of $106,929, and a decrease in interest expense of approximately $227,399.

Income Taxes

We did not have any income taxes expense for the three and six months ended June 30, 2019 and 2018 since we incurred losses in the periods.

Net Loss

As a result of the factors described above, our net loss was $4,438,823 for the three months ended June 30, 2019, as compared to $1,343,815 for the three months ended June 30, 2018, a change of $3,095,008 or 230.3%. As a result of the factors described above, our net loss was $8,943,752 for the six months ended June 30, 2019, as compared to $2,894,784 for the six months ended June 30, 2018, a change of $6,048,968 or 209.0%.

Net Loss Attributable to Avalon GloboCare Corp. Common Shareholders

The net loss attributable to Avalon GloboCare Corp. common shareholders was $4,357,224 or $(0.06) per share (basic and diluted) for the three months ended June 30, 2019, as compared with $1,294,394, or $(0.02) per share (basic and diluted) for the three months ended June 30, 2018, a change of $3,062,830 or 236.6%.

The net loss attributable to Avalon GloboCare Corp. common shareholders was $8,763,040 or $(0.12) per share (basic and diluted) for the six months ended June 30, 2019, as compared with $2,775,973, or $(0.04) per share (basic and diluted) for the six months ended June 30, 2018, a change of $5,987,067 or 215.7%.

Foreign Currency Translation Adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company, AHS, Avalon (BVI) Ltd. (dormant, is in process of being dissolved), Avalon RT 9, GenExosome, and Avactis is the U.S. dollar and the functional currency of Avalon Shanghai and Beijing GenExosome, is the Chinese Renminbi ("RMB"). The financial statements of our subsidiaries whose functional currency is the RMB are translated to U.S. dollars using period end rates of exchange for assets and liabilities, average rate of exchange for revenues, costs, and expenses and cash flows, and at historical exchange rates for equity. Net gains and losses resulting from foreign exchange transactions are included in the results of operations. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation loss of $34,103 and a foreign currency translation loss of $96,207 for the three months ended June 30, 2019 and 2018, respectively. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation gain of $9,379 and a foreign currency translation loss of $43,369 for the six months ended June 30, 2019 and 2018, respectively. This non-cash gain had the effect of decreasing our reported comprehensive loss.

Comprehensive Loss

As a result of our foreign currency translation adjustment, we had comprehensive loss of $4,472,926 and $1,440,022 for the three months ended June 30, 2019 and 2018, respectively. As a result of our foreign currency translation adjustment, we had comprehensive loss of $8,934,373 and $2,938,153 for the six months ended June 30, 2019 and 2018, respectively.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. At June 30, 2019 and December 31, 2018, we had cash balance of approximately $3,400,000 and $2,252,000, respectively. These funds are kept in financial institutions located as follows:

Country:	June 30, 2019		December 31, 2018	
United States	$ 2,761,051	81.2%	$ 1,035,802	46.0%
China	640,253	18.8%	1,216,485	54.0%
Total cash	$ 3,401,304	100.0%	$ 2,252,287	100.0%

Under applicable PRC regulations, foreign invested enterprises, or FIEs, in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a foreign invested enterprise in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the cumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends.

In addition, a portion of our businesses and assets are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts. These currency exchange control procedures imposed by the PRC government authorities may restrict the ability of our PRC subsidiary to transfer its net assets to the Parent Company through loans, advances or cash dividends.

The current PRC Enterprise Income Tax ("EIT") Law and its implementing rules generally provide that a 10% withholding tax applies to China-sourced income derived by non-resident enterprises for PRC enterprise income tax purposes unless the jurisdiction of incorporation of such enterprises' shareholder has a tax treaty with China that provides for a different withholding arrangement.

The following table sets forth a summary of changes in our working capital from December 31, 2018 to June 30, 2019:

			December 31, 2018 to June 30, 2019	
	June 30, 2019	December 31, 2018	Change	Percentage Change
Working capital:				
Total current assets	$ 3,992,379	$ 3,625,432	$ 366,947	10.1%
Total current liabilities	1,034,793	1,141,720	(106,927)	(9.4)%
Working capital	$ 2,957,586	$ 2,483,712	$ 473,874	19.1%

Our working capital increased by $473,874 to working capital of $2,957,586 at June 30, 2019 from working capital of $2,483,712 at December 31, 2018. The increase in working capital was primarily attributable to an increase in cash of approximately $1,150,000, an increase in accounts receivable of approximately $91,000, a decrease in interest payable of approximately $75,000, a decrease in accrued liabilities and other payables of approximately $112,000, and a decrease in security deposit of approximately $100,000, offset by a decrease in prepaid expenses – related parties of approximately $34,000, a decrease in prepaid expenses and other current assets of approximately $726,000, and an increase in accounts payable of approximately $40,000.

Because the exchange rate conversion is different for the consolidated balance sheets and the consolidated statements of cash flows, the changes in assets and liabilities reflected on the consolidated statements of cash flows are not necessarily identical with the comparable changes reflected on the consolidated balance sheets.

Cash Flows for the Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

The following summarizes the key components of our cash flows for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net cash used in operating activities	$ (3,920,258)	$ (2,200,042)
Net cash used in investing activities	(150,988)	(197,953)
Net cash provided by financing activities	5,103,704	3,034,143
Effect of exchange rate on cash	116,559	(19,865)
Net increase in cash	$ 1,149,017	$ 616,283

Net cash flow used in operating activities for the six months ended June 30, 2019 was $3,920,258, which primarily reflected our net loss of approximately $8,943,752, and the changes in operating assets and liabilities, primarily consisting of a decrease in change in fair value of warrant derivative liability of approximately $460,000,a decrease in accrued labilities and other payables of approximately $473,000, a decrease in interest payable of approximately $75,000, and a decrease in accounts receivable of approximately $92,000 offset by an increase in prepaid expenses and other current assets of approximately $380,000, an increase in allocation of financing expense of approximately $526,000, an increase in security deposit of approximately $100,000,and the add-back of non-cash items consisting of depreciation and amortization of approximately $285,000, stock-based compensation expense of approximately $4,718,000, and loss on equity method investment of approximately $23,000.

Net cash flow used in operating activities for the six months ended June 30, 2018 was $2,200,042, which primarily reflected our net loss of approximately $2,895,000, and the changes in operating assets and liabilities, primarily consisting of an increase in accounts receivable – related parties of approximately $151,000, an increase in prepaid expenses and other current assets of approximately $154,000, an increase in security deposit of approximately $309,000 mainly due to the deposit made pursuant to a Joint Venture Agreement entered in May 2018, a decrease in interest payable of approximately $113,000, offset by an increase in accrued liabilities and other payables of approximately $177,000, and the add-back of non-cash items consisting of depreciation and amortization expense of approximately $248,000, and stock-based compensation expense of approximately $1,083,000.

We expect our cash used in operating activities to increase due to the following:

- the development and commercialization of exosome products;
- an increase in professional staff and services including increased costs of being a public company; and
- an increase in public relations and/or sales promotions for existing and/or new brands as we expand within existing markets or enter new markets.

Net cash flow used in investing activities was $150,988 for the six months ended June 30, 2019 as compared to $197,953 for the six months ended June 30, 2018. During the six months ended June 30, 2019, we made payment for purchase of property and equipment of approximately $140,000 and made payment for improvement of commercial real estate of approximately $11,000. During the six months ended June 30, 2018, we made payment for purchase of property and equipment of approximately $10,000, made prepayment for purchase of long-term assets of approximately $23,000, and made payment for improvement of commercial real estate of approximately $165,000.

Net cash flow provided by financing activities was $5,103,704 for the six months ended June 30, 2019 as compared to net cash flow provided by financing activities of $3,034,143 for the six months ended June 30, 2018. During the six months ended June 30, 2019, we received proceeds from note payable – related party of $1,000,000, net proceeds from financing of approximately $5,104,000, offset by repayment of $1,000,000 made for loan payable. During the six months ended June 30, 2018, we received net proceeds from equity offering of approximately $5,057,000, offset by repayments made for loan of approximately $500,000, repurchase of common stock of approximately $523,000, and refund for refundable deposit in connection with Share Subscription Agreement of approximately $1,000,000.

Our capital requirements for the next twelve months primarily relate to working capital requirements, including salaries, fees related to third parties' professional services, reduction of accrued liabilities, mergers, acquisitions and the development of business opportunities. These uses of cash will depend on numerous factors including our sales and other revenues, and our ability to control costs. All funds received have been expended in the furtherance of growing the business. The following trends are reasonably likely to result in a material decrease in our liquidity over the near to long term:

- an increase in working capital requirements to finance our current business;
- repayment for outstanding loan;
- the use of capital for mergers, acquisitions and the development of business opportunities;
- addition of administrative personnel as the business grows; and
- the cost of being a public company.

We will need to raise additional funds, particularly if we are unable to generate positive cash flow as a result of our operations. We estimate that based on current plans and assumptions, that our available cash will be insufficient to satisfy our cash requirements under our present operating expectations. Other than funds received from the sale of our equity and advances from our related parties, and cash resource generating from our operations, we presently have no other significant alternative source of working capital. We have used these funds to fund our operating expenses, pay our obligations and grow our company. We will need to raise significant additional capital to fund our operations and to provide working capital for our ongoing operations and obligations. Therefore, our future operation is dependent on our ability to secure additional financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will be required to cease our operations. To date, we have not considered this alternative, nor do we view it as a likely occurrence.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows. The following tables summarize our contractual obligations as of June 30, 2019, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
Contractual obligations:	Total	Less than 1 year	1-3 years	3-5 years	5^{+} years
Office leases commitment	$ 64,665	$ 64,665	$ -	$ -	$ -
Acquisition consideration	100,000	100,000	-	-	-
Note payable – related party (principal)	1,000,000	-	1,000,000	-	-
Accrued interest	14,583	14,583	-	-	-
Equity investment obligation	1,019,398	509,699	509,699	-	-
Joint venture commitment	11,028,141	-	5,514,070	5,514,071	-
Total	$ 13,226,787	$ 668,947	$ 7,023,769	$ 5,514,071	$ -

Off-balance Sheet Arrangements

We presently do not have off-balance sheet arrangements.

Foreign Currency Exchange Rate Risk

A portion of our operations are in China. Thus, a portion of our revenues and operating results may be impacted by exchange rate fluctuations between RMB and US dollars. For the three months ended June 30, 2019 and 2018, we had unrealized foreign currency translation loss of approximately $34,000 and unrealized foreign currency translation loss of approximately $96,000, respectively, because of changes in the exchange rate. For the six months ended June 30, 2019 and 2018, we had unrealized foreign currency translation gain of approximately $9,400 and unrealized foreign currency translation loss of approximately $43,000, respectively, because of changes in the exchange rate.

Inflation

The effect of inflation on our revenue and operating results was not significant.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

In connection with the preparation of the quarterly report on Form 10-Q for the quarter ended June 30, 2019, our management, including our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures, which are defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. 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 Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, management concluded that our internal control over financial reporting were not effective as of June 30, 2019 due to the significant deficiencies caused by the lack of segregation of duties resulting from our small size, which we previously reported in our Form 10-K Annual Report for the year ended December 31, 2018 ("2018 10-K"), has not yet been remediated.

Changes in Internal Controls Over Financial Reporting

There were no changes (including corrective actions with regard to significant deficiencies) in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to ordinary routine litigation incidental to our normal business operations. We are not currently a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business, operating results, cash flows or financial condition.

ITEM 1A. RISK FACTORS

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

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

Common Shares Issued for Services

On April 1, 2019, pursuant to service agreements, we issued an aggregate of 120,812 shares of common stock for professional services rendered. These shares were valued at $313,800, the fair market values on the grant dates using the reported closing share prices on the dates of grant, and we reduced accrued liabilities of $313,800.

The offers, sales, and issuances of the securities described above were deemed to be exempt from registration under the Securities Act of 1933 in reliance on Section 4(a)(2) of the Securities Act of 1933 or Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited or sophisticated person and had adequate access, through employment, business or other relationships, to information about us.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

On August 14, 2019, Genexosome Technologies Inc. (“Genexosome”) terminated Yu Zhou as Co-Chief Executive Officer. In addition, Dr. Zhou’s Executive Retention Agreement was also terminated. Dr. Jin, Chief Executive Officer of the Company, will continue to serve as Chief Executive Officer of Genexosome.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 26, 2018)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 26, 2018)
4.1	Form of Subscription Agreement by and between Avalon GloboCare Corp. and the December 2016 Accredited Investors (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2016)
4.2 †	Stock Option issued to Luisa Ingargiola dated February 21, 2017 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2017)
4.3	Form of Subscription Agreement by and between Avalon GloboCare Corp. and the March 2017 Accredited Investor (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2017)
4.4	Share Subscription Agreement between Avalon GloboCare Corp., Avalon (Shanghai) Healthcare Technology Co., Ltd., Beijing DOING Biomedical Technology Co., Ltd. and Daron Liang (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2017)
4.5	Warranty Agreement between Lu Wenzhao and Beijing DOING Biomedical Technology Co., Ltd. (incorporated by reference to Exhibit 4.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2017)
4.6	Form of Subscription Agreement between Avalon GloboCare Corp. and the October 2017 Accredited Investors (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
4.7	Form of Warrant to Boustead Securities, LLC in connection with the private placements (incorporated by reference to Exhibit 4.8 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 27, 2018)
4.8	Form of Warrant (April 2019) (Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 26, 2019)
10.1	Share Exchange Agreement dated as of October 19, 2016 by and among Avalon Healthcare System, Inc., the shareholders of Avalon Healthcare System, Inc. and Avalon GloboCare Corp. (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2016)
10.2 †	Executive Employment Agreement, effective December 1, 2016, by and between Avalon GloboCare Corp. and David Jin (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2016)
10.3	Agreement of Sale by and between Freehold Craig Road Partnership, as Seller, and Avalon GloboCare Corp., as Buyer dated as of December 22, 2016 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2016)
10.4 †	Executive Employment Agreement by and between Avalon (Shanghai) Healthcare Technology Ltd. and Meng Li dated January 11, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2017)
10.5 †	Executive Retention Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola dated February 21, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2017)
10.6 †	Indemnification Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola dated February 21, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2017)
10.7 †	Director Agreement by and between Avalon GloboCare Corp. and Steven P. Sukel dated April 28, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2017)
10.8 †	Director Agreement by and between Avalon GloboCare Corp. and Yancen Lu dated April 28, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2017)

10.9	Consultation Service Contract between Daopei Investment Management (Shanghai) Co., Ltd. and Avalon HealthCare System Inc. dated April 1, 2016 (English translation) (incorporated by reference to Exhibit 10.8 of Amendment No. 1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 7, 2017)
10.10	Consultation Service Contract between Hebei Yanda Ludaopei Hospital Co., Ltd and Avalon HealthCare System Inc. dated April 1, 2016 (English translation) (incorporated by reference to Exhibit 10.9 of Amendment No. 1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 7, 2017)
10.11	Consultation Service Contract between Nanshan Memorial Stem Cell Biotechnology Co., Ltd. and Avalon HealthCare System Inc. dated April 1, 2016 (English translation) (incorporated by reference to Exhibit 10.10 of Amendment No. 1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 7, 2017)
10.12	Loan Agreement between Lotus Capital Overseas Limited and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated April 19, 2017 (English translation) (incorporated by reference to Exhibit 10.12 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2017)
10.13	Securities Purchase Agreement between Avalon GloboCare Corp. and GenExosome Technologies Inc. dated October 25, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.14	Asset Purchase Agreement between GenExosome Technologies Inc. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.15	Stock Purchase Agreement between GenExosome Technologies Inc., Beijing Jieteng (GenExosome) Biotech Co. Ltd. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.16 †	Executive Retention Agreement between GenExosome Technologies Inc. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.17	Invention Assignment, Confidentiality, Non-Compete and Non-Solicit Agreement between GenExosome Technologies Inc. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.18 †	Director Agreement by and between Avalon GloboCare Corp. and Wilbert J. Tauzin II dated November 1, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2017)
10.19	Agreement between Avalon GloboCare Corp. and Tauzin Consultants, LLC dated November 1, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2017)
10.20 †	Letter Agreement by and between Avalon GloboCare Corp. and David Jin dated April 3, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018)
10.21 †	Letter Agreement by and between Avalon GloboCare Corp. and Meng Li dated April 3, 2018 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018)
10.22	Advisory Service Contract between Ludaopei Hematology Research Institute Co., Ltd. and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated April 1, 2018 (English translation) (Incorporated by reference to that Form S-1 Registration Statement filed with the Securities and Exchange Commission on April 19, 2018)
10.23	Form of Subscription Agreement by and between Avalon GloboCare Corp. and the April 2018 Accredited Investors (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 18, 2018)
10.24	Supplementary Agreement Related to Share Subscription by and between Avalon GloboCare Corp., Avalon (Shanghai) Healthcare Technology Co., Ltd., Beijing DOING Biomedical Technology Co., Ltd. and Daron Liang dated April 23, 2018 (English translation) (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 26, 2018)
10.25	Loan Extension Agreement between Lotus Capital Overseas Limited and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated May 3, 2018 (English translation) (incorporated by reference to Exhibit 10.18 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 11, 2018)

10.26 †	Director Agreement by and between Avalon GloboCare Corp. and Tevi Troy dated June 4, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 6, 2018)
10.27	Joint Venture Agreement by and between Avalon (Shanghai) Healthcare Technology Co., Ltd. and Jiangsu Unicorn Biological Technology Co., Ltd. dated May 29, 2018 (English translation) (incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 6, 2018)
10.28 †	Director Agreement by and between Avalon GloboCare Corp. and William Stilley, III dated July 5, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 10, 2018)
10.29 †	Director Agreement by and between Avalon GloboCare Corp. and Steven A. Sanders dated July 30, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2018)
10.30	Loan Extension Agreement between Lotus Capital Overseas Limited and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated August 3, 2018 (English translation) (incorporated by reference to Exhibit 10.30 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on August 7, 2018)
10.31	Strategic Partnership Agreement between Avalon GloboCare Corp. and Weill Cornell Medical College of Cornell University dated August 6, 2018.(incorporated by reference to Exhibit 10.31 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on August 7, 2018)
10.32	Equity Joint Venture Agreement by and between Avactis Biosciences, Inc., a wholly-owned subsidiary of Avalon GloboCare Corp., and Arbele Limited for the establishment of AVAR (China) BioTherapeutics Ltd. dated October 23, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2018)
10.33	Letter Agreement by and between Avalon GloboCare Corp. and David Jin dated January 3, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019)
10.34	Letter Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola dated January 3, 2019 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019)
10.35	Letter Agreement by and between Avalon (Shanghai) Healthcare Technology Co. Ltd. and Meng Li dated January 3, 2019 (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019)
10.36	Promissory Note issued to Daniel Lu dated Mach 18, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2019)
10.37†	Director Agreement by and between Avalon GloboCare Corp. and Meng Li dated April 5, 2019 (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 8, 2019)
10.38†	Director Agreement by and between Avalon GloboCare Corp. and Yue "Charles" Li dated April 5, 2019 (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 8, 2019)
	Form of Securities Purchase Agreement dated April 25, 2019 (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 26, 2019)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 20, 2018)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act
31.2*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

* Filed herewith

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AVALON GLOBOCARE CORP.
(Registrant)

Date: August 15, 2019	By: /s/ David K. Jin David K. Jin Chief Executive Officer, President and Director (Principal Executive Officer)
Date: August 15, 2019	By: /s/ Luisa Ingargiola Luisa Ingargiola Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David K. Jin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "report") of Avalon GloboCare Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15 (f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2019

By: /s/ David K. Jin
David K. Jin
Chief Executive Officer, President and Director (Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Luisa Ingargiola, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "report") of Avalon GloboCare Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15 (f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2019	By: /s/ Luisa Ingargiola
	Luisa Ingargiola
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

Exhibit 32.1

Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

The undersigned, David K. Jin and Luisa Ingargiola, in their capacities as Chief Executive Officer and Chief Financial Officer, respectively, of Avalon GloboCare Corp. (the "Registrant") do each hereby certify with respect to the Quarterly Report on Form 10-Q of the Registrant for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant as of, and for, the periods presented in this Report.

Date: August 15, 2019

/s/ David K. Jin
David K. Jin
Chief Executive Officer,
President and Director
(Principal Executive Officer)

Date: August 15, 2019

/s/ Luisa Ingargiola
Luisa Ingargiola
Chief Financial Officer
(Principal Financial and Accounting Officer)