

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, 2021

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**

(State of incorporation)

**47-1685128**

(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 every Interactive Data File required to be submitted 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 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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:

<b>Title of Each Class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$0.0001 par value per share	AVCO	The NASDAQ Stock Market LLC

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

<b>Class</b>	<b>Outstanding August 16, 2021</b>
Common Stock, \$0.0001 par value per share	85,405,919 shares

AVALON GLOBOCARE CORP.

FORM 10-Q

June 30, 2021

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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](http://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,” “Avalon” 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

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 685,304	\$ 726,577
Rent receivable	23,650	35,395
Deferred financing costs	168,531	222,141
Prepaid expenses and other current assets	<u>447,844</u>	<u>302,224</u>
Total Current Assets	<u>1,325,329</u>	<u>1,286,337</u>
<b>NON-CURRENT ASSETS:</b>		
Rent receivable - noncurrent portion	106,558	111,840
Security deposit	19,953	-
Deferred leasing costs	125,503	144,197
Operating lease right-of-use assets, net	210,781	137,333
Property and equipment, net	442,668	479,115
Investment in real estate, net	7,613,111	7,685,686
Equity method investment	<u>533,949</u>	<u>521,758</u>
Total Non-current Assets	<u>9,052,523</u>	<u>9,079,929</u>
Total Assets	<u>\$ 10,377,852</u>	<u>\$ 10,366,266</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accrued professional fees	\$ 1,688,929	\$ 1,212,822
Accrued research and development fees	587,805	513,533
Accrued payroll liability and directors' compensation	182,474	154,292
Accrued liabilities and other payables	330,710	367,411
Accrued liabilities and other payables - related parties	359,236	267,956
Operating lease obligation	140,978	76,379
Note payable - related party	<u>390,000</u>	<u>-</u>
Total Current Liabilities	<u>3,680,132</u>	<u>2,592,393</u>
<b>NON-CURRENT LIABILITIES:</b>		
Operating lease obligation - noncurrent portion	75,803	66,954
Note payable - related party	-	390,000
Loan payable - related party	<u>3,393,188</u>	<u>3,200,000</u>
Total Non-current Liabilities	<u>3,468,991</u>	<u>3,656,954</u>
Total Liabilities	<u>7,149,123</u>	<u>6,249,347</u>
<b>Commitments and Contingencies</b>		
<b>EQUITY:</b>		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020	-	-
Common stock, \$0.0001 par value; 490,000,000 shares authorized; 85,600,919 shares issued and 85,080,919 shares outstanding at June 30, 2021; 82,795,297 shares issued and 82,275,297 shares outstanding at December 31, 2020	8,560	8,279
Additional paid-in capital	50,687,940	46,856,447
Less: common stock held in treasury, at cost; 520,000 shares at June 30, 2021 and December 31, 2020	(522,500)	(522,500)
Accumulated deficit	(46,773,403)	(42,041,375)
Statutory reserve	6,578	6,578
Accumulated other comprehensive loss - foreign currency translation adjustment	<u>(178,446)</u>	<u>(190,510)</u>
Total Avalon GloboCare Corp. stockholders' equity	<u>3,228,729</u>	<u>4,116,919</u>
Non-controlling interest	<u>-</u>	<u>-</u>
Total Equity	<u>3,228,729</u>	<u>4,116,919</u>
Total Liabilities and Equity	<u>\$ 10,377,852</u>	<u>\$ 10,366,266</u>

See accompanying notes to the condensed consolidated financial statements.



AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<b>REVENUES</b>				
Real property rental	\$ 280,232	\$ 301,267	\$ 570,006	\$ 598,223
<b>COSTS AND EXPENSES</b>				
Real property operating expenses	205,147	272,764	422,041	527,265
<b>GROSS PROFIT</b>				
Real property operating income	75,085	28,503	147,965	70,958
<b>OTHER OPERATING EXPENSES:</b>				
Professional fees	1,357,079	1,561,650	2,738,257	3,115,348
Compensation and related benefits	547,829	1,054,052	1,109,835	2,182,520
Research and development expenses	238,793	161,101	451,981	436,503
Other general and administrative	233,664	254,527	453,760	561,606
Total Other Operating Expenses	2,377,365	3,031,330	4,753,833	6,295,977
<b>LOSS FROM OPERATIONS</b>	<b>(2,302,280)</b>	<b>(3,002,827)</b>	<b>(4,605,868)</b>	<b>(6,225,019)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense - related party	(46,131)	(42,469)	(91,280)	(84,638)
Loss from equity method investment	(15,418)	(11,332)	(33,932)	(20,416)
Other (expense) income	(1,081)	246	(948)	2,910
Total Other Expense, net	(62,630)	(53,555)	(126,160)	(102,144)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(2,364,910)</b>	<b>(3,056,382)</b>	<b>(4,732,028)</b>	<b>(6,327,163)</b>
<b>INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET LOSS</b>	<b>\$ (2,364,910)</b>	<b>\$ (3,056,382)</b>	<b>\$ (4,732,028)</b>	<b>\$ (6,327,163)</b>
<b>LESS: NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS</b>	<b>\$ (2,364,910)</b>	<b>\$ (3,056,382)</b>	<b>\$ (4,732,028)</b>	<b>\$ (6,327,163)</b>
<b>COMPREHENSIVE LOSS:</b>				
<b>NET LOSS</b>	<b>\$ (2,364,910)</b>	<b>\$ (3,056,382)</b>	<b>\$ (4,732,028)</b>	<b>\$ (6,327,163)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized foreign currency translation gain (loss)	14,786	3,309	12,064	(18,757)
<b>COMPREHENSIVE LOSS</b>	<b>(2,350,124)</b>	<b>(3,053,073)</b>	<b>(4,719,964)</b>	<b>(6,345,920)</b>
<b>LESS: COMPREHENSIVE LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>				
<b>COMPREHENSIVE LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS</b>	<b>\$ (2,350,124)</b>	<b>\$ (3,053,073)</b>	<b>\$ (4,719,964)</b>	<b>\$ (6,345,920)</b>
<b>NET LOSS PER COMMON SHARE ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS:</b>				
Basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.08)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic and diluted	84,623,723	78,887,380	84,021,787	77,799,722

See accompanying notes to the condensed consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Three and Six Months Ended June 30, 2021  
(Unaudited)

Avalon GloboCare Corp. Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Statutory Reserve	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Equity
	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount					
Balance, January 1, 2021	-	\$ -	82,795,297	\$ 8,279	\$46,856,447	(520,000)	\$(522,500)	\$(42,041,375)	\$ 6,578	\$ (190,510)	\$ -	\$ 4,116,919
Sale of common stock, net	-	-	1,848,267	185	2,337,074	-	-	-	-	-	-	2,337,259
Issuance of common stock for services	-	-	300,000	30	359,970	-	-	-	-	-	-	360,000
Stock-based compensation	-	-	-	-	202,505	-	-	-	-	-	-	202,505
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(2,722)	-	(2,722)
Net loss for the three months ended March 31, 2021	-	-	-	-	-	-	-	(2,367,118)	-	-	-	(2,367,118)
Balance, March 31, 2021	-	-	84,943,564	8,494	49,755,996	(520,000)	(522,500)	(44,408,493)	6,578	(193,232)	-	4,646,843
Issuance of common stock for settlement of accrued professional fees	-	-	167,355	17	202,483	-	-	-	-	-	-	202,500
Issuance of common stock for services	-	-	490,000	49	534,251	-	-	-	-	-	-	534,300
Stock-based compensation	-	-	-	-	195,209	-	-	-	-	-	-	195,209
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	14,786	-	14,786
Net loss for the three months ended June 30, 2021	-	-	-	-	-	-	-	(2,364,910)	-	-	-	(2,364,910)
Balance, June 30, 2021	-	\$ -	85,600,919	\$ 8,560	\$50,687,939	(520,000)	\$(522,500)	\$(46,773,403)	\$ 6,578	\$ (178,446)	\$ -	\$ 3,228,728

See accompanying notes to the condensed consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Three and Six Months Ended June 30, 2020  
(Unaudited)

Avalon GloboCare Corp. Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Statutory Reserve	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Equity
	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount					
Balance, January 1, 2020	-	\$ -	76,730,802	\$ 7,673	\$ 34,593,006	(520,000)	\$(522,500)	\$(29,361,937)	\$ 6,578	\$ (257,747)	\$ -	\$ 4,465,073
Sale of common stock, net	-	-	980,358	98	1,539,153	-	-	-	-	-	-	1,539,251
Issuance of common stock for services	-	-	222,577	22	213,278	-	-	-	-	-	-	213,300
Stock-based compensation	-	-	-	-	785,350	-	-	-	-	-	-	785,350
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(22,066)	-	(22,066)
Net loss for the three months ended March 31, 2020	-	-	-	-	-	-	-	(3,270,781)	-	-	-	(3,270,781)
Balance, March 31, 2020	-	-	77,933,737	7,793	37,130,787	(520,000)	(522,500)	(32,632,718)	6,578	(279,813)	-	3,710,127
Sale of common stock, net	-	-	1,795,150	180	2,959,687	-	-	-	-	-	-	2,959,867
Issuance of common stock for services	-	-	380,000	38	398,692	-	-	-	-	-	-	398,730
Stock-based compensation	-	-	-	-	726,600	-	-	-	-	-	-	726,600
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	3,309	-	3,309
Net loss for the three months ended June 30, 2020	-	-	-	-	-	-	-	(3,056,382)	-	-	-	(3,056,382)
Balance, June 30, 2020	-	\$ -	80,108,887	\$ 8,011	\$ 41,215,766	(520,000)	\$(522,500)	\$(35,689,100)	\$ 6,578	\$ (276,504)	\$ -	\$ 4,742,251

See accompanying notes to the condensed consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (4,732,028)	\$ (6,327,163)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt provision	-	4,664
Depreciation	141,285	152,579
Amortization of straight-line rent receivable	4,934	16,910
Amortization of right-of-use asset	60,254	-
Stock-based compensation and service expense	1,086,546	2,448,748
Loss on equity method investment	33,932	20,416
Loss on fixed assets disposal	-	2,628
Changes in operating assets and liabilities:		
Accounts receivable - related party	-	213,274
Rent receivable	12,093	(36,749)
Security deposit	6,015	-
Deferred leasing costs	5,492	-
Prepaid expenses and other current assets	42,555	(124,246)
Accrued liabilities and other payables	714,348	(385,791)
Accrued liabilities and other payables - related parties	91,280	83,828
Operating lease obligation	(60,254)	6,000
	<u>(2,593,548)</u>	<u>(3,924,902)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,593,548)</b>	<b>(3,924,902)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Improvement of commercial real estate	(10,332)	-
Additional investment in equity method investment	(40,179)	(28,437)
	<u>(50,511)</u>	<u>(28,437)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(50,511)</b>	<b>(28,437)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of note payable - related party	-	(200,000)
Proceeds received from loan payable - related party	193,188	300,000
Proceeds received from equity offering	2,481,405	4,703,890
Disbursements for equity offering costs	(74,442)	(361,947)
	<u>2,600,151</u>	<u>4,441,943</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,600,151</b>	<b>4,441,943</b>
<b>EFFECT OF EXCHANGE RATE ON CASH</b>	<b>2,635</b>	<b>(4,394)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(41,273)</b>	<b>484,210</b>
<b>CASH - beginning of period</b>	<b>726,577</b>	<b>764,891</b>
<b>CASH - end of period</b>	<b>\$ 685,304</b>	<b>\$ 1,249,101</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Common stock issued for future services	\$ 234,750	\$ 17,500
Common stock issued for accrued liabilities	\$ 261,032	\$ -
Deferred financing costs in accrued liabilities	\$ 16,093	\$ 33,025
Accrued professional fees relieved for shares issued	\$ 202,500	\$ -

See accompanying notes to the condensed consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS**

Avalon GloboCare 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 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 were accredited investors (“AHS Shareholders”) pursuant to which we acquired 100% of the outstanding securities of AHS in exchange for 50,000,000 shares of the Company’s common stock (the “AHS Acquisition”). AHS was incorporated on May 18, 2015 under the laws of the State of Delaware.

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) Healthcare Technology Co., Ltd. (“Avalon Shanghai”) immediately following the consummation of this reverse merger transaction. AHS owns 100% of the capital stock of 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.

The Company is a clinical-stage, vertically integrated, leading CellTech bio-developer dedicated to advancing and empowering innovative, transformative immune effector cell therapy, exosome technology, as well as COVID-19 related diagnostics and therapeutics. The company also provides strategic advisory and outsourcing services to facilitate and enhance its clients’ growth and development, as well as competitiveness in healthcare and CellTech industry markets. Through its subsidiary structure with unique integration of verticals from innovative research and development (“R&D”) to automated bioproduction and accelerated clinical development, the Company is establishing a leading role in the fields of cellular immunotherapy (including CAR-T/NK), exosome technology (ACTEX™), and regenerative therapeutics.

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, 2021. 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 operations. 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. As of June 30, 2021, the occupancy rate of the building is 89.4%.

On July 31, 2017, the Company formed Genexosome Technologies Inc. (“Genexosome”) in Nevada. Genexosome was engaged in developing proprietary diagnostic and therapeutic products using exosomes. Genexosome owns 100% of the capital stock of Beijing Jieteng (Genexosome) Biotech Co., Ltd., a corporation incorporated in the People’s Republic of China on August 7, 2015 (“Beijing Genexosome”), and the Company holds 60% of Genexosome and Dr. Yu Zhou holds 40% of Genexosome. The Company had not been able to realize the financial projections provided by Dr. Zhou at the time of the acquisition and has decided to impair the intangible asset associated with this acquisition to zero. Dr. Zhou was terminated as Co-CEO of Genexosome on August 14, 2019. Since the fourth quarter of 2019, the non-controlling interest has remained inactive.

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.

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, 2021.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS (continued)**

Details of the Company’s subsidiaries which are included in these condensed consolidated financial statements as of June 30, 2021 are as follows:

Name of Subsidiary	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	Dormant
Beijing Jieteng (Genexosome) Biotech Co., Ltd. ("Beijing Genexosome")	PRC August 7, 2015	100% held by Genexosome	Dormant
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 ("Exosome")	Delaware June 13, 2019	100% held by AVCO	Promotes standardization related to exosome industry

**NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN CONDITION**

**Basis of Presentation**

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 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 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 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 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, 2020 filed with the Securities and Exchange Commission on March 30, 2021.

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**NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN CONDITION (continued)**

**Going Concern**

The Company is a clinical-stage, vertically integrated, leading CellTech bio-developer dedicated to advancing and empowering innovative, transformative immune effector cell therapy, exosome technology, as well as COVID-19 related diagnostics and therapeutics. The Company also provides strategic advisory and outsourcing services to facilitate and enhance its clients' growth and development, as well as competitiveness in healthcare and CellTech industry markets. Through its subsidiary structure with unique integration of verticals from innovative research and development ("R&D") to automated bioproduction and accelerated clinical development, the Company is establishing a leading role in the fields of cellular immunotherapy (including CAR-T/NK), exosome technology (ACTEX™), and regenerative therapeutics.

In addition, the Company owns commercial real estate that houses its headquarters in Freehold, New Jersey and provides outsourced, customized international healthcare services to the rapidly changing health care industry primarily focused in the People's Republic of China. The Company did not generate any revenue from medical related consulting services segment during the three and six months ended June 30, 2021. These condensed 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 condensed consolidated financial statements, the Company had working capital deficit of \$2,354,803 as of June 30, 2021 and has incurred recurring net loss and generated negative cash flow from operating activities of \$4,732,028 and \$2,593,548 for the six months ended June 30, 2021, 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 few clients who are related parties and generating rental revenue from its income-producing real estate property in New Jersey; 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 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 occurrence of an uncontrollable event such as the COVID-19 pandemic had negatively impact on the Company's operations. Our general development operations have continued during the COVID-19 pandemic and we have not had significant disruption. However, we are uncertain if the COVID-19 pandemic will impact future operations at our laboratory, or our ability to collaborate with other laboratories and universities. In addition, we are unsure if the COVID-19 pandemic will impact future clinical trials. Given the dynamic nature of these circumstances, the duration of business disruption and reduced traffic, the related financial effect cannot be reasonably estimated at this time but is expected to adversely impact the Company's business for the rest of 2021.

The accompanying condensed 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 condensed consolidated financial statements in conformity with U.S. GAAP 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, 2021 and 2020 include the useful life of property and equipment and investment in real estate, 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.

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 condensed consolidated balance sheets for cash, rent receivable, accrued liabilities and other payables, accrued liabilities and other payables – related parties, operating lease obligation, and note payable, approximate their fair market value as of June 30, 2021 and December 31, 2020 based on the short-term maturity of these instruments.

ASC 825-10 “Financial Instruments”, allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

**Cash and Cash Equivalents**

At June 30, 2021 and December 31, 2020, the Company’s cash balances by geographic area were as follows:

Country:	June 30, 2021		December 31, 2020	
United States	\$ 587,538	85.7%	\$ 559,711	77.0%
China	97,766	14.3%	166,866	23.0%
Total cash	<u>\$ 685,304</u>	<u>100.0%</u>	<u>\$ 726,577</u>	<u>100.0%</u>

For purposes of the condensed consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less when purchased and money market accounts to be cash equivalents. The Company had no cash equivalents at June 30, 2021 and December 31, 2020.

**Credit Risk and Uncertainties**

A portion of the Company’s cash is maintained with state-owned banks within the PRC. Balances at state-owned banks within the PRC are covered by insurance up to RMB 500,000 (approximately \$77,000) per bank. Any balance over RMB 500,000 per bank in PRC will not be covered. At June 30, 2021, cash balances held in the PRC are RMB 631,294 (approximately \$98,000), of which, RMB 126,589 (approximately \$20,000) was not covered by such limited 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.

The Company maintains a portion of its cash in bank and financial institution deposits within U.S. that at times may exceed federally-insured limits of \$250,000. The Company manages this credit risk by concentrating its cash balances in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions holding such deposits. The Company has not experienced any losses in such bank accounts and believes it is not exposed to any risks on its cash in bank accounts. At June 30, 2021, the Company’s cash balances in United States bank accounts had approximately \$63,000 in excess of the federally-insured limits.

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Credit Risk and Uncertainties (continued)**

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.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable. 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 is limited due to short-term payment terms. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

**Investment in Unconsolidated Company – Epicon Biosciences 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 5 for discussion of equity method investment.

**Revenue Recognition**

The Company recognizes revenue under Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"). The core principle of the 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.

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition (continued)**

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.

The Company’s revenues are derived from providing medial related consulting services for its’ related parties. Revenues related to its service offerings are recognized at a point in time when service is rendered. Any payments received in advance of the performance of services are recorded as deferred revenue until such time as the services are performed.

The Company has determined that the ASC 606 does not apply to rental contracts, which are within the scope of other revenue recognition accounting standards.

Rental income from operating leases is recognized on a straight-line basis under the guidance of ASC 842. Lease payments under tenant leases are recognized on a straight-line basis over the term of the related leases. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payments are included in rent receivable on the condensed consolidated balance sheets.

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

**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 is 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. For the three and six months ended June 30, 2021 and 2020, potentially dilutive common shares consist of the common shares issuable upon the exercise of common stock options (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 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,	
	2021	2020	2021	2020
Stock options	7,700,000	6,980,000	7,700,000	6,980,000
Potentially dilutive securities	7,700,000	6,980,000	7,700,000	6,980,000

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 previously had three reportable business segments: real property operating segment, medical related consulting services segment, and development services and sales of developed products segment. Due to the winding down of the development services and sales of developed products segment in 2020, the Company no longer has any material revenues or expenses in this segment. As a result, commencing from the first quarter of 2021, the Company’s chief operating decision maker no longer reviews development services and sales of developed products operating results and the Company no longer reports in three segments.

During the three and six months ended June 30, 2021, the Company operates through two business segments: real property operating segment and medical related consulting services 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.

**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.

**Recent Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (“Topic 326”)*. The ASU introduces a new accounting model, the Current Expected Credit Losses model (“CECL”), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. ASU 2016-13 is effective for annual period beginning after December 15, 2022, including interim reporting periods within those annual reporting periods. The Company expects that the adoption will not have a material impact on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. This standard removes certain exceptions related to the approach for intra period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The adoption of ASU 2019 – 12 did not have a material impact on the Company’s consolidated financial statements.

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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS**

At June 30, 2021 and December 31, 2020, prepaid expenses and other current assets consisted of the following:

	June 30, 2021	December 31, 2020
Prepaid professional fee	\$ 273,583	\$ 78,639
Prepaid directors and officers liability insurance premium	33,064	64,929
Prepaid NASDAQ listing fee	43,667	-
Recoverable VAT	31,676	40,446
Deferred leasing costs	31,422	18,220
Prepaid research and development fees	-	60,610
Other	34,432	39,380
Total	<u>\$ 447,844</u>	<u>\$ 302,224</u>

**NOTE 5 – EQUITY METHOD INVESTMENT**

As of June 30, 2021 and December 31, 2020, the equity method investment amounted to \$533,949 and \$521,758, 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 months ended June 30, 2021 and 2020, the Company's share of Epicon's net loss was \$15,418 and \$11,332, respectively, which was included in loss from equity method investment in the accompanying condensed consolidated statements of operations and comprehensive loss. For the six months ended June 30, 2021 and 2020, the Company's share of Epicon's net loss was \$33,932 and \$20,416, respectively, which was included in loss from equity method investment in the accompanying condensed consolidated statements of operations and comprehensive loss. In the six months ended June 30, 2021, activity recorded for the Company's equity method investment in Epicon is summarized in the following table:

Equity investment carrying amount at January 1, 2021	\$ 521,758
Payment made for equity method investment	40,179
Epicon's net loss attributable to the Company	(33,932)
Foreign currency fluctuation	5,944
Equity investment carrying amount at June 30, 2021	<u>\$ 533,949</u>

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

	June 30, 2021	December 31, 2020
Current assets	\$ 8,575	\$ 13,023
Noncurrent assets	244,199	264,390
Current liabilities	23,645	6,615
Noncurrent liabilities	-	-
Equity	229,129	270,798

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**NOTE 5 – EQUITY METHOD INVESTMENT (continued)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue	\$ -	\$ -	\$ -	\$ -
Gross profit	-	-	-	-
Loss from operation	38,543	28,458	84,829	51,169
Net loss	38,543	28,328	84,829	51,039

**NOTE 6 – ACCRUED LIABILITIES AND OTHER PAYABLES**

At June 30, 2021 and December 31, 2020, accrued liabilities and other payables consisted of the following:

	June 30, 2021	December 31, 2020
Accrued professional fees	\$ 1,688,929	\$ 1,212,822
Accrued research and development fees	587,805	513,533
Accrued payroll liability and directors' compensation	182,474	154,292
Accrued tenants' improvement reimbursement	43,500	81,900
Tenants' security deposit	73,733	69,634
Accounts payable	57,208	87,190
Deferred rental income	17,661	23,510
Other	138,608	105,177
<b>Total</b>	<b>\$ 2,789,918</b>	<b>\$ 2,248,058</b>

**NOTE 7 – RELATED PARTY TRANSACTIONS**

**Accrued Liabilities and Other Payables – Related Parties**

The Company acquired Beijing Genexosome for a cash payment of \$450,000. As of June 30, 2021 and December 31, 2020, the unpaid acquisition consideration of \$100,000, was payable to Dr. Yu Zhou, former director and former co-chief executive officer and 40% owner of Genexosome, and has been included in accrued liabilities and other payables – related parties on the accompanying condensed consolidated balance sheets.

As of June 30, 2021 and December 31, 2020, the accrued and unpaid interest related to borrowings from Wenzhao Lu, the Company's largest shareholder and chairman of the Board of Directors, amounted to \$259,236 and \$167,956, respectively, and have been included in accrued liabilities and other payables – related parties on the accompanying condensed consolidated balance sheets.

**Borrowings from Related Party**

*Promissory Note*

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. The Company repaid principal of \$410,000 and \$200,000 in the third quarter of 2019 and second quarter of 2020, respectively. As of both June 30, 2021 and December 31, 2020, the outstanding principal balance was \$390,000.

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**NOTE 7 – RELATED PARTY TRANSACTIONS (continued)**

**Borrowings from Related Party (continued)**

*Line of Credit*

On August 29, 2019, the Company entered into a Line of Credit Agreement (the “Line of Credit Agreement”) providing the Company with a \$20 million line of credit (the “Line of Credit”) from Wenzhao Lu (the “Lender”), the largest shareholder and Chairman of the Board of Directors of the Company. The Line of Credit allows the Company to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matures on December 31, 2024. The loans are unsecured and are not convertible into equity of the Company. Loans drawn under the Line of Credit bears interest at an annual rate of 5% and each individual loan will be payable three years from the date of issuance. The Company has a right to draw down on the line of credit and not at the discretion of the related party Lender. The Company may, at its option, prepay any borrowings under the Line of Credit, in whole or in part at any time prior to maturity, without premium or penalty. The Line of Credit Agreement includes customary events of default. If any such event of default occurs, the Lender may declare all outstanding loans under the Line of Credit to be due and payable immediately. As of June 30, 2021 and December 31, 2020, \$3,393,188 and \$3,200,000 was outstanding under the Line of Credit, respectively.

For the three months ended June 30, 2021 and 2020, the interest expense related to above borrowings amounted to \$46,131 and \$42,469, respectively, and has been included in interest expense – related party on the accompanying condensed consolidated statements of operations and comprehensive loss. For the six months ended June 30, 2021 and 2020, the interest expense related to above borrowings amounted to \$91,280 and \$84,638, respectively, and has been included in interest expense – related party on the accompanying condensed consolidated statements of operations and comprehensive loss.

As of June 30, 2021 and December 31, 2020, the related accrued and unpaid interest for above borrowings was \$259,236 and \$167,956, respectively, and has been included in accrued liabilities and other payables – related parties on the accompanying condensed consolidated balance sheets.

**Office Space from Related Party**

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

**NOTE 8 – EQUITY**

**2020 Incentive Stock Plan**

The Company held its annual meeting on August 4, 2020. During its annual meeting, the Company approved 2020 Incentive Stock Plan and reserved 5,000,000 shares of common stock for issuance thereunder.

**Common Shares Sold for Cash**

On December 13, 2019, the Company entered into an Open Market Sale Agreement<sup>SM</sup> (the “Sales Agreement”) with Jefferies LLC, as sales agent (“Jefferies”), pursuant to which the Company may offer and sell, from time to time, through Jefferies, shares of its common stock. During the six months ended June 30, 2021, Jefferies sold an aggregate of 1,848,267 shares of common stock at an average price of \$1.34 per share to investors. The Company recorded net proceeds of \$2,337,259, net of commission and other offering costs of \$144,146.

**Common Shares Issued for Services**

During the six months ended June 30, 2021, the Company issued a total of 790,000 shares of its common stock for services rendered and to be rendered. These shares were valued at \$894,300, the fair market values on the grant dates using the reported closing share prices on the dates of grant, and the Company recorded stock-based compensation expense of \$398,518 for the six months ended June 30, 2021 and reduced accrued liabilities of \$261,032 and recorded prepaid expense of \$234,750 as of June 30, 2021 which will be amortized over the rest of corresponding service periods.

**Common Shares Issued for Settlement of Accrued Professional Fees**

In June 2021, the Company issued 167,355 shares of its common stock to settle accrued and unpaid professional fees of \$202,500.

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**NOTE 8 – EQUITY (continued)**

**Options**

The following table summarizes the shares of the Company’s common stock issuable upon exercise of options outstanding at June 30, 2021:

Range of Exercise Price	Options Outstanding			Options Exercisable		
	Number Outstanding at June 30, 2021	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at June 30, 2021	Weighted Average Exercise Price	
\$ 0.50	2,000,000	5.61	\$ 0.50	2,000,000	\$ 0.50	
1.00 – 1.93	2,930,000	5.12	1.39	2,510,000	1.44	
2.00 – 2.80	2,740,000	2.27	2.17	2,740,000	2.17	
4.76	30,000	2.76	4.76	30,000	4.76	
<u>\$ 0.50 – 4.76</u>	<u>7,700,000</u>	<u>4.22</u>	<u>\$ 1.45</u>	<u>7,280,000</u>	<u>\$ 1.47</u>	

Stock option activities for the six months ended June 30, 2021 were as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2021	7,140,000	\$ 1.48
Granted	640,000	1.10
Terminated / Exercised / Expired	(80,000)	(1.00)
Outstanding at June 30, 2021	7,700,000	\$ 1.45
Options exercisable at June 30, 2021	7,280,000	\$ 1.47
Options expected to vest	420,000	\$ 1.08

The aggregate intrinsic value of both stock options outstanding and stock options exercisable at June 30, 2021 was \$965,000.

The fair values of options granted during the six months ended June 30, 2021 were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: volatility of 123.27% - 128.42%, risk-free rate of 0.33% - 0.80%, annual dividend yield of 0% and expected life of 3.00 - 5.00 years. The aggregate fair value of the options granted during the six months ended June 30, 2021 was \$575,078.

The fair values of options granted during the six months ended June 30, 2020 were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: volatility of 137.42% - 139.58%, risk-free rate of 0.25% - 1.67%, annual dividend yield of 0% and expected life of 3.00 – 10.00 years. The aggregate fair value of the options granted during the six months ended June 30, 2020 was \$2,644,161.

For the three months ended June 30, 2021 and 2020, stock-based compensation expense associated with stock options granted amounted to \$195,209 and \$726,600, respectively, of which, \$136,392 and \$694,692 was recorded as compensation and related benefits, \$39,545 and \$25,374 was recorded as professional fees, and \$19,272 and \$6,534 was recorded as research and development expenses, respectively.

For the six months ended June 30, 2021 and 2020, stock-based compensation expense associated with stock options granted amounted to \$397,714 and \$1,511,950, respectively, of which, \$275,899 and \$1,369,690 was recorded as compensation and related benefits, \$82,988 and \$129,192 was recorded as professional fees, and \$38,827 and \$13,068 was recorded as research and development expenses, respectively.

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**NOTE 8 – EQUITY (continued)**

**Options (continued)**

A summary of the status of the Company’s nonvested stock options granted as of June 30, 2021 and changes during the six months ended June 30, 2021 is presented below:

	Number of Options	Weighted Average Exercise Price
Nonvested at January 1, 2021	218,334	\$ 1.18
Granted	640,000	1.10
Vested	(438,334)	(1.15)
Nonvested at June 30, 2021	420,000	\$ 1.08

**NOTE 9 – 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, 2021 and 2020 as they incurred net losses in these periods.

**NOTE 10 – 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, 2021 and December 31, 2020 did not exceed 25% of the Company’s consolidated net assets. Accordingly, the Parent Company’s condensed consolidated financial statements have not been required in accordance with Rule 5-04 and Rule 12-04 of SEC Regulation S-X.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 11 – 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, 2021 and 2020.

Customer	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
A	31%	28%	31%	29%
B	20%	17%	20%	17%
C	13%	14%	13%	14%

One customer, whose outstanding receivable accounted for 10% or more of the Company’s total outstanding accounts receivable, accounts receivable – related party, and rent receivable at June 30, 2021, accounted for 71.5% of the Company’s total outstanding accounts receivable, accounts receivable – related party, and rent receivable at June 30, 2021.

Two customers, whose outstanding receivable accounted for 10% or more of the Company’s total outstanding accounts receivable, accounts receivable – related party, and rent receivable at December 31, 2020, accounted for 78.3% of the Company’s total outstanding accounts receivable, accounts receivable – related party, and rent receivable at December 31, 2020.

**Suppliers**

No supplier accounted for 10% or more of the Company’s purchase during the three and six months ended June 30, 2021 and 2020.

One supplier, whose outstanding payable accounted for 10% or more of the Company’s total outstanding accounts payable at June 30, 2021, accounted for 90.2% of the Company’s total outstanding accounts payable at June 30, 2021.

One supplier, whose outstanding payable accounted for 10% or more of the Company’s total outstanding accounts payable at December 31, 2020, accounted for 93.6% of the Company’s total outstanding accounts payable at December 31, 2020.

**NOTE 12 – SEGMENT INFORMATION**

For the three and six months ended June 30, 2020, 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.

Due to the winding down of the development services and sales of developed products segment in 2020, the Company no longer has any material revenues or expenses in this segment. As a result, commencing from the first quarter of 2021, the Company’s chief operating decision maker no longer reviews development services and sales of developed products operating results.

For the three and six months ended June 30, 2021, the Company operated in two reportable business segments - (1) the real property operating segment, and (2) the medical related consulting services 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, 2021 and 2020 was as follows:

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 12 – SEGMENT INFORMATION (continued)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenues				
Real property operations	\$ 280,232	\$ 301,267	\$ 570,006	\$ 598,223
Costs and expenses				
Real property operations	205,147	272,764	422,041	527,265
Gross profit				
Real property operations	75,085	28,503	147,965	70,958
Other operating expenses				
Real property operations	78,830	103,218	180,253	214,034
Medical related consulting services - related parties	167,275	175,891	328,828	331,126
Development services and sales of developed products	-	30,240	-	66,239
Corporate/Other	2,131,260	2,721,981	4,244,752	5,684,578
Total	<u>2,377,365</u>	<u>3,031,330</u>	<u>4,753,833</u>	<u>6,295,977</u>
Other income (expense)				
Interest expense				
Corporate/Other	(46,131)	(42,469)	(91,280)	(84,638)
Total	<u>(46,131)</u>	<u>(42,469)</u>	<u>(91,280)</u>	<u>(84,638)</u>
Other income (expense)				
Real property operations	4	4	108	(931)
Medical related consulting services - related parties	(16,503)	(11,091)	(34,989)	(16,578)
Development services and sales of developed products	-	1	-	3
Corporate/Other	-	-	1	-
Total	<u>(16,499)</u>	<u>(11,086)</u>	<u>(34,880)</u>	<u>(17,506)</u>
Total other expense, net	<u>(62,630)</u>	<u>(53,555)</u>	<u>(126,160)</u>	<u>(102,144)</u>
Net loss				
Real property operations	3,741	74,711	32,180	144,007
Medical related consulting services - related parties	183,778	186,982	363,817	347,704
Development services and sales of developed products	-	30,239	-	66,236
Corporate/Other	2,177,391	2,764,450	4,336,031	5,769,216
Total	<u>\$ 2,364,910</u>	<u>\$ 3,056,382</u>	<u>\$ 4,732,028</u>	<u>\$ 6,327,163</u>
Identifiable long-lived tangible assets at June 30, 2021 and December 31, 2020			June 30,	December 31,
			2021	2020
Real property operations			\$ 7,623,260	\$ 7,697,473
Medical related consulting services			196,347	223,459
Development services and sales of developed products			-	243,869
Corporate/Other			236,172	-
Total			<u>\$ 8,055,779</u>	<u>\$ 8,164,801</u>

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 12 – SEGMENT INFORMATION (continued)**

Identifiable long-lived tangible assets at June 30, 2021 and December 31, 2020	June 30, 2021	December 31, 2020
United States	\$ 7,680,296	\$ 7,764,947
China	375,483	399,854
Total	<u>\$ 8,055,779</u>	<u>\$ 8,164,801</u>

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

From time to time, the Company is subject to ordinary routine litigation incidental to its normal business operations. The Company is not currently a party to, and its property is not subject to, any material legal proceedings, except as set forth below.

On October 25, 2017, Genexosome entered into and closed a Stock Purchase Agreement with Beijing Genexosome and Yu Zhou, MD, PhD, 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, of which \$100,000 is still owed. Further, on October 25, 2017, Genexosome entered into and closed an Asset Purchase Agreement with Dr. Zhou, pursuant to which the Company acquired all assets, including all intellectual property and exosome separation systems, held by Dr. Zhou pertaining to the business of researching, developing and commercializing exosome technologies. In consideration of the assets, Genexosome paid Dr. Zhou \$876,087 in cash, transferred 500,000 shares of common stock of the Company to Dr. Zhou and issued Dr. Zhou 400 shares of common stock of Genexosome. Further, the Company had not been able to realize the financial projections provided by Dr. Zhou at the time of the acquisition and has decided to impair the intangible asset associated with this acquisition to zero on September 30, 2019. Dr. Zhou was terminated as Co-CEO of Genexosome on August 14, 2019. Further, on October 28, 2019, Research Institute at Nationwide Children’s Hospital (“Research Institute”) filed a Complaint in the United States District Court for the Southern District of Ohio Eastern Division against Dr. Zhou, Li Chen, the Company and Genexosome with various claims against the Company and Genexosome including misappropriation of trade secrets in violation of the Defend Trade Secrets Act of 2016 and violation of Ohio Uniform Trade Secrets Act. Research Institute is seeking monetary damages, injunctive relief, exemplary damages, injunctive relief and other equitable relief. The Company intends to vigorously defend against this action and pursue all available legal remedies. The criminal proceedings against Dr. Zhou and Li Chen have been concluded, and the civil litigation continues. While there can be no assurances, the Company believes it has substantial legal and factual defenses to the Research Institute’s claims and the likelihood of any findings of liability for the Company cannot be assessed at this time.

**Operating Leases Commitment**

The Company is a party to leases for office space. Rent expense under all operating leases amounted to approximately \$73,000 and \$78,000 for the six months ended June 30, 2021 and 2020, respectively.

Supplemental cash flow information related to leases for the six months ended June 30, 2021 and 2020 is as follows:

	Six Months ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating lease	\$ 65,035	\$ 30,000
Right-of-use assets obtained in exchange for lease obligation:		
Operating lease	\$ 133,473	\$ 169,578

The following table summarizes the lease term and discount rate for the Company’s operating lease as of June 30, 2021:

	Operating Lease
Weighted average remaining lease term (in years)	1.58
Weighted average discount rate	4.88%

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

**Operating Leases Commitment (continued)**

The following table summarizes the maturity of lease liabilities under operating lease as of June 30, 2021:

For the Twelve-month Period Ending June 30:	Operating Lease
2022	\$ 147,834
2023	76,737
2024 and thereafter	-
Total lease payments	224,571
Amount of lease payments representing interest	(7,790)
Total present value of operating lease liabilities	<u>\$ 216,781</u>
Current portion	\$ 140,978
Long-term portion	<u>75,803</u>
Total	<u>\$ 216,781</u>

**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 five 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, 2021, Avalon Shanghai has contributed RMB 4,760,000 (approximately \$0.7 million) that was included in equity method investment on the accompanying condensed consolidated balance sheets. The Company intends to use its present working capital together with borrowings from related party and equity raises to fund the project cost.

**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 \$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 a contribution of \$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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

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

In addition, Avactis is responsible for:

- Contributing registered capital of RMB 5,000,000 (approximately \$0.8 million) 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.

As of June 30, 2021, Avactis has paid the \$900,000 to Arbele as research and development fee.

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 June 30, 2021, License Agreement has not been finalized.

**Line of Credit Agreement**

On August 29, 2019, the Company entered into a Line of Credit Agreement (the "Line of Credit Agreement") providing the Company with a \$20 million line of credit (the "Line of Credit") from Wenzhao Lu (the "Lender"), a significant shareholder and director of the Company. The Line of Credit allows the Company to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matures on December 31, 2024. The loans are unsecured and are not convertible into equity of the Company. Loans drawn under the Line of Credit bears interest at an annual rate of 5% and each individual loan will be payable three years from the date of issuance. The Company has a right to draw down on the line of credit and not at the discretion of the related party Lender. The Company may, at its option, prepay any borrowings under the Line of Credit, in whole or in part at any time prior to maturity, without premium or penalty. The Line of Credit Agreement includes customary events of default. If any such event of default occurs, the Lender may declare all outstanding loans under the Line of Credit to be due and payable immediately. As of June 30, 2021, \$3,393,188 was outstanding under the Line of Credit.

**NOTE 14 – SUBSEQUENT EVENTS**

**Merger**

On June 13, 2021, the Company entered into a Share Purchase Agreement (the "Purchase Agreement"), by and among the Company, Lonlon Biotech Ltd., a company incorporated in the British Virgin Islands ("BVI") ("Sen Lang"), the holders of the share capital of Sen Lang (the "Sen Lang Shareholders"), the ultimate beneficial owners of the Sen Lang Shareholders (the "Sen Lang Beneficial Shareholders" and, together with the Sen Lang Shareholders, the "Sen Lang Owners") and a representative of the Sen Lang Owners (the "Sen Lang Representative"). Pursuant to the Purchase Agreement, subject to the satisfaction of the conditions to closing therein, including approval by the Avalon stockholders pursuant to the rules of the Nasdaq Stock Market ("Nasdaq"), Avalon agreed to purchase (the "Acquisition") all of the issued and outstanding share capital of Sen Lang (the "Sen Lang Shares").

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**NOTE 14 – SUBSEQUENT EVENTS (continued)**

**Merger (continued)**

Sen Lang, through a variable interest entity (“VIE”) structure of contractual rights held by its wholly-owned subsidiary Beijing Langlang Runfeng Biotechnology Co., Ltd., a wholly foreign owned enterprise with limited liability organized and existing under the laws of the People’s Republic of China (the “PRC”) (the “PRC Subsidiary”), has full economic benefit and management control over, and is consolidated for accounting purposes with, Senlang Biotechnology Co. Ltd., a PRC domestic company with limited liability organized and existing under the laws of the PRC (the “OpCo” or “SenlangBio”). The OpCo is mainly engaged in the business of research and development in relation to CAR-T cell therapy, immune cell therapy and related drug development. The OpCo is owned 100% by certain of the Sen Lang Beneficial Shareholders. A wholly-owned subsidiary of the OpCo, Shijiazhuang Senlang Medical Laboratory Co., Ltd., a company with limited liability organized and existing under the laws of the PRC (“SenlangBio Clinical Laboratory”) is engaged in the business of testing of immunology, serology and molecular genetics specialties for patients, including hematology-tumor diagnostics and testing prior to clinical trials for cell therapy.

Prior to the execution of the Purchase Agreement, the Board of Directors of Avalon (the “Board”), unanimously (i) determined that the terms and provisions of the Purchase Agreement and the transactions contemplated thereby, including the Acquisition, are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved the Purchase Agreement and the transactions contemplated thereby, including the Acquisition, (iii) authorized, empowered and directed the Company to perform all of its obligations under the Purchase Agreement and related documents, and (iv) resolved to recommend the adoption of the Purchase Agreement by the stockholders of the Company in compliance with the rules of Nasdaq (the “Company Board Recommendation”).

The purchase price being paid by Avalon to the Sen Lang Shareholders under the Purchase Agreement for the Sen Lang Shares is an aggregate of 81 million shares (the “Acquisition Shares”) of the common stock, par value US\$0.0001 per share, of Avalon (the “Avalon Common Stock”). Ten percent (10%), or 8.1 million, of such shares will be held in escrow for 12 months following the closing to satisfy any indemnification obligations of the Sen Lang Shareholders under the Share Purchase Agreement. In addition, at the closing of the Acquisition, it is expected that Dr. Jianqiang Li, scientific founder and CSO of the OpCo, will join the board of the Company, and Dr. Li will also be appointed as Chief Technology Officer of the Company. The Acquisition Shares will not be registered under the Securities Act of 1933, as amended (the “Securities Act”) and, therefore, will be restricted securities under Rule 144 under the Securities Act for six months or longer after the closing of the Acquisition, subject to “affiliate” status with the Company under the Securities Act.

The Purchase Agreement contains customary representations, warranties and covenants made by the parties thereto, including covenants relating to obtaining the requisite approvals of the stockholders of Avalon and Sen Lang, regulatory approvals and Avalon’s and Sen Lang’s conduct of their respective businesses (and that of the OpCo) between the date of signing of the Purchase Agreement and the closing of the Acquisition.

The Acquisition is expected to be accounted for as a business acquisition, with the Company identified as the accounting acquirer. The Company is considered the accounting acquirer since immediately following the closing: (i) the Company’s stockholders will own a majority of the voting rights of the post-Acquisition company; (ii) the Company will have designate a majority (eight of nine) of the initial members of the board of directors of the post-Acquisition company; (iii) the Company’s senior management will hold the majority of the key positions in senior management of the post-Acquisition company; and (iv) the Company will continue to maintain its corporate headquarters in Freehold, New Jersey, United States. SenlangBio will continue to maintain operations in the Shijiazhuang High-tech Development Zone, Hebei Province, China.

The acquisition consideration is 81,000,000 shares of the Company’s Common Stock. The purchase price will be allocated to the acquired assets and assumed liabilities based on their fair values at the closing date, and any excess is initially allocated to identifiable intangible assets mainly consisting of cell and gene engineering technologies with the ability to generate innovative and transformative cellular immunotherapies for solid and hematologic cancers, which will be amortized over 10 years. The initial allocation is subject to change upon the final valuation which is to be done at the time of closing. Such change could have a material impact on the Company’s financial statements.

As of June 30, 2020, the Company had incurred costs of \$938,073 with respect to the Merger and these costs have been expensed.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
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**NOTE 14 – SUBSEQUENT EVENTS (continued)**

**Equity Financing**

In connection with the Acquisition mentioned above, on June 13, 2021, an institutional investor (the “Investor”) entered into an agreement with the OpCo related to the purchase of registered capital of the OpCo (the “OpCo Capital Increase Agreement”) pursuant to which the Investor will acquire an aggregate of up to 13.5% of the equity ownership of the OpCo for an aggregate purchase price of approximately US\$30,000,000 (the “Equity Financing”), which funds will be invested in the OpCo in three equal installments of US\$10,000,000, at a fixed price, the first to be upon the closing of the Acquisition, the second to be within three months after the closing and the third to be within six months after the closing. In addition, pursuant to a Securities Exchange Agreement (the “Exchange Agreement”), by and among the Company, Sen Lang, the OpCo and the Investor, dated June 13, 2021, the Investor has the right, exercisable between the six-month and five year-anniversaries of the respective initial closing and installment closings, to elect to exchange, from time to time, all or part of its then-owned equity ownership of the OpCo for shares (the “Exchange Shares”) of Avalon Common Stock at a fixed exchange price of US\$1.21 per share of Avalon Common Stock, which was the market price of the Avalon Common Stock as of the date of the Exchange Agreement under Nasdaq rules. In addition, the Exchange Agreement provides that the Investor may only exchange up to 10% of its total investment amount in any 30-day period.

China eCapital Holdings, Ltd. (CEC Capital) served as financial advisor to Avalon in connection with the Equity Financing and will receive a cash fee of approximately \$900,000, representing 3% of the gross proceeds from the Equity Financing.

**Common Shares Issued for Services**

In August 2021, the Company issued a total of 325,000 shares of its common stock for services rendered and to be rendered. These shares were valued at \$301,750, the fair market values on the grant dates using the reported closing share prices on the dates of grant.

## 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, 2021 and 2020 should be read in conjunction with our condensed consolidated financial statements and related notes to those 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 30, 2021. 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.

### Impact of COVID-19 on Our Operations, Financial Condition, Liquidity and Results of Operations

Although the COVID-19 vaccines have generally been introduced to the public, the ultimate impact of the COVID-19 pandemic on our operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, a significant increase in new and variant strains of COVID-19 cases, availability and effectiveness of COVID-19 vaccines and therapeutics, the level of acceptance of the vaccine by the general population and any additional preventative and protective actions that governments, or us, may determine are needed.

The occurrence of COVID-19 pandemic had negative impact on our operations. Some of the universities and laboratories with which we collaborate were temporarily closed. Our general development operations have continued during the COVID-19 pandemic and we have not had significant disruption. However, we are uncertain if the COVID-19 pandemic will impact future operations at our laboratory, or our ability to collaborate with other laboratories and universities. In addition, we are unsure if the COVID-19 pandemic will impact future clinical trials. Given the dynamic nature of these circumstances, the duration of business disruption and reduced traffic, the related financial effect cannot be reasonably estimated at this time but is expected to adversely impact the Company's business for the rest of 2021.

We have limited cash available to fund planned operations and although we have other sources of capital described below under “Liquidity and Capital Resources,” management continues to pursue various financing alternatives to fund our operations so we can continue as a going concern. However, the COVID-19 pandemic has created significant economic uncertainty and volatility in the credit and capital markets. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements but the ultimate impact of the COVID-19 pandemic on our ability to raise additional capital is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak and new information which may emerge concerning the severity of the COVID-19 pandemic. We may not be able to raise sufficient additional capital and may tailor our operations based on the amount of funding we are able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful. Further, there is no assurance that capital available to us in any future financing will be on acceptable terms.

### Overview

The Company is a clinical-stage, vertically integrated, leading CellTech bio-developer dedicated to advancing and empowering innovative, transformative immune effector cell therapy, exosome technology, as well as COVID-19 related diagnostics and therapeutics. The company also provides strategic advisory and outsourcing services to facilitate and enhance its clients' growth and development, as well as competitiveness in healthcare and CellTech industry markets. Through its subsidiary structure with unique integration of verticals from innovative research and development (“R&D”) to automated bioproduction and accelerated clinical development, the Company is establishing a leading role in the fields of cellular immunotherapy (including CAR-T/NK), exosome technology (ACTEX™), and regenerative therapeutics.

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:

- Development of Avalon Clinical-grade Tissue-specific Exosome ("ACTEX™").
- Novel therapeutic and diagnostic targets development utilizing QTY-code protein design technology with Massachusetts Institute of Technology (MIT) including using the QTY code protein design technology for development of a hemofiltration device to treat Cytokine Storm.
- Strategic partnership with the University of Natural Resources and Life Sciences (BOKU) in Vienna, Austria to develop an S-layer vaccine that can be administered by an intranasal or oral route against SARS-CoV-2, the novel coronavirus that causes COVID-19 disease.

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. As a result of the COVID pandemic, the operation of this facility has not been at full capacity. However, the Company expects to slowly increase operations during 2021.

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 (co-developed with China Immunotech Co. Ltd) 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 the advantage of prompt treatment to patients where timing is important related hematologic malignancies. Avalon has successfully completed the first-in-human clinical trial of its AVA-001 anti-CD19 CAR-T cell therapy as a bridge to allogeneic bone marrow transplantation for patients with relapsed/refractory B-cell acute lymphoblastic leukemia at the Lu Daopei Hospital (registered clinical trial number NCT03952923) with excellent efficacy (90% complete remission rate) and minimal adverse side effects. Avalon is currently expanding the patient recruitment for AVA-001 to include relapsed/refractory non-Hodgkin lymphoma patients.
- ACTEX™: Stem cell-derived Avalon Clinical-grade Tissue-specific Exosomes (ACTEX™) is one of the core technology platforms that has been co-developed by Avalon GloboCare and Weill Cornell Medicine. The Company formed a strategic partnership with HydroPeptide, LLC, a leading epigenetics skin care company, to engage in co-development and commercialization of a series of clinical-grade, exosome-based cosmeceutical and orthopedic products. As part of this agreement, the Company signed a three-way Material Transfer Agreement between Avalon GloboCare, HydroPeptide and Weill Cornell Medicine.
- FLASH-CAR™: The Company advanced its next generation immune cell therapy using RNA-based, non-viral FLASH-CAR™ technology co-developed with the Company's strategic partner Arbele Limited. The adaptable FLASH-CAR™ platform can be used to create personalized cell therapy from a patient's own cells, as well as off-the-shelf cell therapy from a universal donor. Our leading candidate, AVA-011, is currently at process development stage to generate clinical-grade cell-therapy products for subsequent clinical studies.
- AVA-Trap™: Avalon's AVA-Trap™ therapeutic program plans to enter animal model testing followed by expedited clinical studies with the goal of providing an effective therapeutic option to combat COVID-19 and other life-threatening conditions involving cytokine storms. The Company initiated a sponsored research and co-development project with Massachusetts Institute of Technology (MIT) led by Professor Shuguang Zhang as Principal Investigator in May 2019. Using the unique QTY code protein design platform, six water-soluble variant cytokine receptors have been successfully designed and tested to show binding affinity to the respective cytokines.

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.

During the three and six months ended June 30, 2021, we did not have any revenue from medical related consulting services. Although we maintain close working relationships with our related parties, the consulting agreements with our related parties expired as of December 31, 2020. There was no order from related party and third party customers in the three and six months ended June 30, 2021. Currently, we are negotiating with our potential customers and consulting services agreements are not finalized. In addition, during the three and six months ended June 30, 2021, we did not receive any revenue from our COVID 19 testing distribution agreements and the Company discontinued plans to develop its own testing kits at this time. The competitive landscape for these products made sales difficult during this period and there can be no assurance that there will be sales of these testing kits in the future.

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**

The Company is a clinical-stage, vertically integrated, leading CellTech bio-developer dedicated to advancing and empowering innovative, transformative immune effector cell therapy, exosome technology, as well as COVID-19 related diagnostics and therapeutics. The company also provides strategic advisory and outsourcing services to facilitate and enhance its clients’ growth and development, as well as competitiveness in healthcare and CellTech industry markets. Through its subsidiary structure with unique integration of verticals from innovative research and development (“R&D”) to automated bioproduction and accelerated clinical development, the Company is establishing a leading role in the fields of cellular immunotherapy (including CAR-T/NK), exosome technology (ACTEX™), and regenerative therapeutics.

In addition, the Company owns commercial real estate that houses its headquarters in Freehold, New Jersey and provides outsourced, customized international healthcare services to the rapidly changing health care industry primarily focused in the People’s Republic of China. The Company did not generate any revenue from medical related consulting services segment during the three and six months ended June 30, 2021. These condensed 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 condensed consolidated financial statements, the Company had working capital deficit of \$2,354,803 as of June 30, 2021 and has incurred recurring net loss and generated negative cash flow from operating activities of \$4,732,028 and \$2,593,548 for the six months ended June 30, 2021, 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 few clients who are related parties and generating rental revenue from its income-producing real estate property in New Jersey; 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 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 occurrence of an uncontrollable event such as the COVID-19 pandemic had negatively impact on the Company’s operations. Our general development operations have continued during the COVID-19 pandemic and we have not had significant disruption. However, we are uncertain if the COVID-19 pandemic will impact future operations at our laboratory, or our ability to collaborate with other laboratories and universities. In addition, we are unsure if the COVID-19 pandemic will impact future clinical trials. Given the dynamic nature of these circumstances, the duration of business disruption and reduced traffic, the related financial effect cannot be reasonably estimated at this time but is expected to adversely impact the Company’s business for the rest of 2021.

The accompanying condensed 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

### *Use of Estimates*

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed 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 useful life of property and equipment and investment in real estate, 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.

### *Revenue Recognition*

We recognize revenue under Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”). The core principle of the 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.

The Company’s revenues are derived from providing medial related consulting services for its’ related parties. Revenues related to its service offerings are recognized at a point in time when service is rendered. Any payments received in advance of the performance of services are recorded as deferred revenue until such time as the services are performed.

We have determined that the ASC 606 does not apply to rental contracts, which are within the scope of other revenue recognition accounting standards.

Rental income from operating leases is recognized on a straight-line basis under the guidance of ASC 842. Lease payments under tenant leases are recognized on a straight-line basis over the term of the related leases. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payments are included in rent receivable on the condensed consolidated balance sheets.

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.

### ***Recent Accounting Standards***

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

## **RESULTS OF OPERATIONS**

### **Comparison of Results of Operations for the Three and Six Months Ended June 30, 2021 and 2020**

#### ***Revenues***

For the three months ended June 30, 2021, we had real property rental revenue of \$280,232, as compared to \$301,267 for the three months ended June 30, 2020, a decrease of \$21,035, or 7.0%. For the six months ended June 30, 2021, we had real property rental revenue of \$570,006, as compared to \$598,223 for the six months ended June 30, 2020, a decrease of \$28,217, or 4.7%. The decrease was primarily attributable to two tenants moved out in August 2020 and March 2021, respectively. We expect that our revenue from real property rent will remain in its current quarterly level with minimal increase in the near future.

#### ***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, 2021, our real property operating expenses amounted to \$205,147, as compared to \$272,764 for the three months ended June 30, 2020, a decrease of \$67,617, or 24.8%. The decrease was mainly due to a decrease in utilities of approximately \$19,000, a decrease in janitorial supplies of approximately \$4,000, and a decrease in other miscellaneous items of approximately \$44,000. For the six months ended June 30, 2021, our real property operating expenses amounted to \$422,041, as compared to \$527,265 for the six months ended June 30, 2020, a decrease of \$105,224, or 20.0%. The decrease was mainly due to a decrease in repairs and maintenance fees of approximately \$21,000, a decrease in utilities of approximately \$17,000, a decrease in janitorial supplies of approximately \$7,000, and a decrease in other miscellaneous items of approximately \$60,000.

### Real Property Operating Income

Our real property operating income for the three months ended June 30, 2021 was \$75,085, representing an increase of \$46,582, or 163.4%, as compared to \$28,503 for the three months ended June 30, 2020. Our real property operating income for the six months ended June 30, 2021 was \$147,965, representing an increase of \$77,007, or 108.5%, as compared to \$70,958 for the six months ended June 30, 2020. The increase was mainly attributable to the decrease in real property operating expenses as described above. We expect our real property operating income will remain in its current quarterly level with minimal increase in the near future.

### Other Operating Expenses

For the three and six months ended June 30, 2021 and 2020, other operating expenses consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Professional fees	\$ 1,357,079	\$ 1,561,650	\$ 2,738,257	\$ 3,115,348
Compensation and related benefits	547,829	1,054,052	1,109,835	2,182,520
Research and development	238,793	161,101	451,981	436,503
Directors and officers liability insurance premium	81,141	58,012	162,282	116,025
Travel and entertainment	40,069	31,233	72,219	104,813
Rent and related utilities	18,661	22,536	41,288	45,277
Advertising expenses	7,500	42,942	16,323	113,845
Other general and administrative	86,293	99,804	161,648	181,646
	<u>\$ 2,377,365</u>	<u>\$ 3,031,330</u>	<u>\$ 4,753,833</u>	<u>\$ 6,295,977</u>

- 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, 2021, professional fees decreased by \$204,571, or 13.1%, as compared to the three months ended June 30, 2020. The decrease was primarily attributable to a decrease in consulting fees of approximately \$430,000 mainly due to the decrease in use of consulting service providers, a decrease in investor relations service fees of approximately \$124,000 mainly due to the decrease in use of investor relations service providers, and a decrease in other miscellaneous items of approximately \$8,000, offset by an increase in legal service fees of approximately \$357,000 mainly due to increased legal service related to our potential acquisition. For the six months ended June 30, 2021, professional fees decreased by \$377,091, or 12.1%, as compared to the six months ended June 30, 2020. The decrease was primarily attributable to a decrease in consulting fees of approximately \$422,000 mainly due to the decrease in use of consulting service providers, and a decrease in investor relations service fees of approximately \$295,000 mainly due to the decrease in use of investor relations service providers, offset by an increase in legal service fees of approximately \$297,000 mainly due to increased legal service related to our potential acquisition, and an increase in other miscellaneous items of approximately \$43,000. We expect that our professional fees will remain in its current quarterly level with minimal increase in the near future.
- For the three months ended June 30, 2021, compensation and related benefits decreased by \$506,223, or 48.0%, as compared to the three months ended June 30, 2020. The significant decrease was primarily attributable to a decrease in stock-based compensation of approximately \$516,000 which reflected the value of options granted and vested to our management, offset by an increase in compensation and related benefits for other employees of approximately \$10,000. For the six months ended June 30, 2021, compensation and related benefits decreased by \$1,072,685, or 49.1%, as compared to the six months ended June 30, 2020. The significant decrease was primarily attributable to a decrease in stock-based compensation of approximately \$1,094,000 which reflected the value of options granted and vested to our management, offset by an increase in compensation and related benefits for other employees of approximately \$21,000. We expect that our compensation and related benefits will remain in its current quarterly level with minimal increase in the near future.
- For the three months ended June 30, 2021, research and development expenses increased by \$77,692, or 48.2%, as compared to the three months ended June 30, 2020. For the six months ended June 30, 2021, research and development expenses increased by \$15,478, or 3.5%, as compared to the six months ended June 30, 2020. The increase was primarily attributable to the start of a new project in August 2020.

- For the three months ended June 30, 2021, Directors and Officers Liability Insurance premium increased by \$23,129, or 39.9%, as compared to the three months ended June 30, 2020. For the six months ended June 30, 2021, Directors and Officers Liability Insurance premium increased by \$46,257, or 39.9%, as compared to the six months ended June 30, 2020. The increase was mainly due to different insurance provider with different premium.
- For the three months ended June 30, 2021, travel and entertainment expense increased by \$8,836, or 28.3%, as compared to the three months ended June 30, 2020. The slight increase was primarily due to the increased business travel activities in the second quarter of 2021. For the six months ended June 30, 2021, travel and entertainment expense decreased by \$32,594, or 31.1%, as compared to the six months ended June 30, 2020. The decrease was mainly due to decreased business travel activities and decreased entertainment expenditure resulting from COVID-19 in the first half of 2021.
- For the three months ended June 30, 2021, rent and related utilities expenses decreased by \$3,875, or 17.2%, as compared to the three months ended June 30, 2020. For the six months ended June 30, 2021, rent and related utilities expenses decreased by \$3,989, or 8.8%, as compared to the six months ended June 30, 2020. The decrease was mainly attributable to the decreased monthly rent in Avalon Shanghai's office.
- For the three months ended June 30, 2021, advertising expenses decreased by \$35,442 or 82.5% as compared to the three months ended June 30, 2020. For the six months ended June 30, 2021, advertising expenses decreased by \$97,522 or 85.7% as compared to the six months ended June 30, 2020. The significant decrease was primarily due to reduced advertising activities incurred as a result of stricter control on corporation spending. We expect that our advertising expenses will increase in the near future.
- Other general and administrative expenses mainly consisted of NASDAQ listing fee, office supplies, and other miscellaneous items. For the three months ended June 30, 2021, other general and administrative expenses decreased by \$13,511, or 13.5%, as compared to the three months ended June 30, 2020. For the six months ended June 30, 2021, other general and administrative expenses decreased by \$19,998, or 11.0%, as compared to the six months ended June 30, 2020. The decrease resulted from our efforts at stricter controls on corporate expenditure.

### ***Loss from Operations***

As a result of the foregoing, for the three months ended June 30, 2021, loss from operations amounted to \$2,302,280, as compared to \$3,002,827 for the three months ended June 30, 2020, a decrease of \$700,547, or 23.3%.

As a result of the foregoing, for six months ended June 30, 2021, loss from operations amounted to \$4,605,868, as compared to \$6,225,019 for the six months ended June 30, 2020, a decrease of \$1,619,151, or 26.0%.

### ***Other Income (Expense)***

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

Other expense, net, totaled \$62,630 for the three months ended June 30, 2021, as compared to \$53,555 for the three months ended June 30, 2020, an increase of \$9,075, or 16.9%, which was primarily attributable to an increase in loss from equity method investment of approximately \$4,000, an increase in interest expense of approximately \$4,000, and a decrease in miscellaneous income of approximately \$1,000.

Other expense, net, totaled \$126,160 for the six months ended June 30, 2021, as compared to \$102,144 for the six months ended June 30, 2020, an increase of \$24,016, or 23.5%, which was primarily attributable to an increase in loss from equity method investment of approximately \$13,000, an increase in interest expense of approximately \$7,000, and a decrease in miscellaneous income of approximately \$4,000.

### ***Income Taxes***

We did not have any income taxes expense for the three months ended June 30, 2021 and 2020 since we incurred losses in these periods. We did not have any income taxes expense for the six months ended June 30, 2021 and 2020 since we incurred losses in these periods.

### ***Net Loss***

As a result of the factors described above, our net loss was \$2,364,910 for the three months ended June 30, 2021, as compared to \$3,056,382 for the three months ended June 30, 2020, a decrease of \$691,472 or 22.6%.

As a result of the factors described above, our net loss was \$4,732,028 for the six months ended June 30, 2021, as compared to \$6,327,163 for the six months ended June 30, 2020, a decrease of \$1,595,135 or 25.2%.

### ***Net Loss Attributable to Avalon GloboCare Corp. Common Shareholders***

The net loss attributable to Avalon GloboCare Corp. common shareholders was \$2,364,910 or \$0.03 per share (basic and diluted) for the three months ended June 30, 2021, as compared with \$3,056,382, or \$0.04 per share (basic and diluted) for the three months ended June 30, 2020, a change of \$691,472 or 22.6%.

The net loss attributable to Avalon GloboCare Corp. common shareholders was \$4,732,028 or \$0.06 per share (basic and diluted) for the six months ended June 30, 2021, as compared with \$6,327,163, or \$0.08 per share (basic and diluted) for the six months ended June 30, 2020, a change of \$1,595,135 or 25.2%.

### ***Foreign Currency Translation Adjustment***

Our reporting currency is the U.S. dollar. The functional currency of our parent company, AHS, Avalon RT 9, Genexosome, Avactis, and Exosome, 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 gain of \$14,786 and \$3,309 for the three months ended June 30, 2021 and 2020, respectively. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation gain of \$12,064 and a foreign currency translation loss of \$18,757 for the six months ended June 30, 2021 and 2020, respectively. This non-cash gain/loss had the effect of decreasing/increasing our reported comprehensive loss.

### ***Comprehensive Loss***

As a result of our foreign currency translation adjustment, we had comprehensive loss of \$2,350,124 and \$3,053,073 for the three months ended June 30, 2021 and 2020, respectively. As a result of our foreign currency translation adjustment, we had comprehensive loss of \$4,719,964 and \$6,345,920 for the six months ended June 30, 2021 and 2020, respectively.

### ***Liquidity and Capital Resources***

The Company has a limited operating history and its continued growth is dependent upon the continuation of providing medical consulting services to its only few clients who are related parties and generating rental revenue from its income-producing real estate property in New Jersey; 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 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 occurrence of an uncontrollable event such as the COVID-19 pandemic is likely to negatively affect the Company’s operations. Efforts to contain the spread of the coronavirus have intensified, including social distancing, travel bans and quarantine, and these are likely to negatively impact our tenants, employees and consultants. These, in turn, will not only impact our operations, financial condition and demand for our medical related consulting services but our overall ability to react timely to mitigate the impact of this event. Given the dynamic nature of these circumstances, the duration of business disruption and reduced traffic, the related financial effect cannot be reasonably estimated at this time but is expected to adversely impact our business for the rest of 2021.

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, 2021 and December 31, 2020, we had cash balance of approximately \$685,000 and \$727,000, respectively. These funds are kept in financial institutions located as follows:

Country:	June 30, 2021		December 31, 2020	
United States	\$ 587,538	85.7%	\$ 559,711	77.0%
China	97,766	14.3%	166,866	23.0%
Total cash	<u>\$ 685,304</u>	<u>100.0%</u>	<u>\$ 726,577</u>	<u>100.0%</u>

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, 2020 to June 30, 2021:

	June 30, 2021	December 31, 2020	Changes in	
			Amount	Percentage
<b>Working capital deficit:</b>				
Total current assets	\$ 1,325,329	\$ 1,286,337	\$ 38,992	3.0%
Total current liabilities	3,680,132	2,592,393	1,087,739	42.0%
Working capital deficit	<u>\$ (2,354,803)</u>	<u>\$ (1,306,056)</u>	<u>\$ (1,048,747)</u>	<u>80.3%</u>

Our working capital deficit increased by \$1,048,747 to \$2,354,803 at June 30, 2021 from \$1,306,056 at December 31, 2020. The increase in working capital deficit was primarily attributable to a decrease in deferred financing costs of approximately \$54,000, an increase in accrued professional fees of approximately \$476,000, an increase in accrued research and development fees of approximately \$74,000, an increase in accrued liabilities and other payables – related parties of approximately \$91,000, an increase in operating lease obligation of approximately \$65,000, and an increase in note payable – related party of \$390,000, offset by an increase in prepaid expenses and other current assets of approximately \$146,000.

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

#### Cash Flows for the Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

The following summarizes the key components of our cash flows for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
	2021	2020
Net cash used in operating activities	\$ (2,593,548)	\$ (3,924,902)
Net cash used in investing activities	(50,511)	(28,437)
Net cash provided by financing activities	2,600,151	4,441,943
Effect of exchange rate on cash	2,635	(4,394)
Net (decrease) increase in cash	<u>\$ (41,273)</u>	<u>\$ 484,210</u>

Net cash flow used in operating activities for the six months ended June 30, 2021 was \$2,593,548, which primarily reflected our consolidated net loss of approximately \$4,732,000, and the changes in operating assets and liabilities, primarily consisting of a decrease in operating lease obligation of approximately \$60,000, offset by an increase in accrued liabilities and other payables of approximately \$714,000, and an increase in accrued liabilities and other payables – related parties of approximately \$91,000, and the non-cash items adjustment primarily consisting of depreciation of approximately \$141,000, amortization of right-of-use asset of approximately \$60,000, and stock-based compensation and service expense of approximately \$1,087,000.

Net cash flow used in operating activities for the six months ended June 30, 2020 was \$3,924,902, which primarily reflected our consolidated net loss of approximately \$6,327,000, and the changes in operating assets and liabilities, primarily consisting of an increase in prepaid expenses and other current assets of approximately \$124,000, and a decrease in accrued liabilities and other payables of approximately \$386,000, offset by a decrease in accounts receivable – related party of approximately \$213,000, an increase in accrued liabilities and other payables – related parties of approximately \$84,000, and the non-cash items adjustment primarily consisting of depreciation of approximately \$153,000, and stock-based compensation and service expense of approximately \$2,449,000.

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

- the development and commercialization of new products;
- an increase in professional staff and services; 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 \$50,511 for the six months ended June 30, 2021 as compared to \$28,437 for the six months ended June 30, 2020. During the six months ended June 30, 2021, we made payment for improvement of commercial real estate of approximately \$10,000 and made additional investment in equity method investment of approximately \$40,000. During the six months ended June 30, 2020, we made additional investment in equity method investment of approximately \$28,000.

Net cash flow provided by financing activities was \$2,600,151 for the six months ended June 30, 2021 as compared to \$4,441,943 for the six months ended June 30, 2020. During the six months ended June 30, 2021, we received proceeds from related party borrowings of approximately \$193,000 and net proceeds from equity offering of approximately \$2,407,000 (net of cash paid for commission of approximately \$74,000). During the six months ended June 30, 2020, we received proceeds from related party borrowings of \$300,000 and net proceeds from equity offering of approximately \$4,342,000 (net of cash paid for commission and offering costs of approximately \$362,000), offset by repayments made for note payable – related party of \$200,000.

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, including ongoing research and development programs, clinical studies, as well as commercial strategies;
- 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.

In the third quarter of 2019, we had secured a \$20 million credit facility (Line of Credit) provided by our Chairman, Wenzhao Lu. The unsecured credit facility bears interest at a rate of 5% and provides for maturity on drawn loans 36 months after funding. The note is not convertible to equity. As of June 30, 2021, the total principal amount outstanding under the Credit Line was approximately \$3.4 million and we have approximately \$16.6 million remaining available under the Line Credit.

On December 13, 2019, we entered into an Open Market Sale Agreement<sup>SM</sup> (the “Sales Agreement”) with Jefferies LLC, as sales agent (“Jefferies”), pursuant to which we may offer and sell, from time to time, through Jefferies, shares of our common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$20.0 million. On April 6, 2020, the date on which we filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, our registration statement became subject to the offering limits set forth in General Instruction I.B.6 of Form S-3. As of April 6, 2020, the aggregate market value of our outstanding common stock held by non-affiliates, or public float, was \$39,564,237, based on 23,691,160 shares of our outstanding common stock that were held by non-affiliates on such date and a price of \$1.67 per share, which was the price at which our common stock was last sold on The Nasdaq Capital Market on February 19, 2020 (a date within 60 days of the date hereof), calculated in accordance with General Instruction I.B.6 of Form S-3. We have not offered any securities pursuant to General Instruction I.B.6 of Form S-3 in the 12 calendar months preceding the date of this prospectus supplement. We filed a prospectus supplement to amend and supplement the information in our prospectus and original prospectus supplement based on the amount of securities that we are eligible to sell under General Instruction I.B.6 of Form S-3. After giving effect to the \$13,000,000 offering limit imposed by General Instruction I.B.6 of Form S-3, we may offer and sell additional shares of our common stock having an aggregate offering price of up to \$13,000,000 from time to time through Jefferies acting as our sales agent in accordance with the terms of the sales agreement. As of June 30, 2021, we sold a total of 5,900,275 shares of our common stock through Jefferies with an aggregate offering price of \$9,559,240 and we have approximately \$5.4 million offering price remaining available under the Sales Agreement.

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 through cash available under our Credit Line and sales of equity through our Sales Agreement. Other than funds received from the sale of our equity and advances from our related party, 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, 2021, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

Contractual obligations:	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	5+ years
Operating lease commitment	\$ 237,820	\$ 149,892	\$ 87,928	\$ -	\$ -
Acquisition consideration	100,000	100,000	-	-	-
Borrowings from related party (principal)	3,783,188	390,000	3,393,188	-	-
Accrued interest – related party	259,236	259,236	-	-	-
Epicon equity investment obligation	811,497	270,499	540,998	-	-
AVAR joint venture commitment	10,774,329	774,329	5,000,000	5,000,000	-
<b>Total</b>	<b>\$ 15,966,070</b>	<b>\$ 1,943,956</b>	<b>\$ 9,022,114</b>	<b>\$ 5,000,000</b>	<b>\$ -</b>

### ***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, 2021 and 2020, we had an unrealized foreign currency translation gain of approximately \$15,000 and \$3,000, respectively, because of changes in the exchange rate. For the six months ended June 30, 2021 and 2020, we had an unrealized foreign currency translation gain of approximately \$12,000 and an unrealized foreign currency translation loss of approximately of \$19,000, 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, 2021, 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, 2021 due to the significant deficiencies which aggregate to a material weakness and was previously reported in our Form 10-K Annual Report for the year ended December 31, 2020 (“2020 10-K”), that have not yet been remediated.

### **Changes in Internal Controls Over Financial Reporting**

There were no changes 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, and our property is not subject to, any material legal proceedings, except as set forth below.

On October 25, 2017, Genexosome entered into and closed a Stock Purchase Agreement with Beijing Genexosome and Yu Zhou, MD, PhD, 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, of which \$100,000 is still owed. Further, on October 25, 2017, Genexosome entered into and closed an Asset Purchase Agreement with Dr. Zhou, pursuant to which the Company acquired all assets, including all intellectual property and exosome separation systems, held by Dr. Zhou pertaining to the business of researching, developing and commercializing exosome technologies. In consideration of the assets, Genexosome paid Dr. Zhou \$876,087 in cash, transferred 500,000 shares of common stock of the Company to Dr. Zhou and issued Dr. Zhou 400 shares of common stock of Genexosome. Further, The Company had not been able to realize the financial projections provided by Dr. Zhou at the time of the acquisition and has decided to impair the intangible asset associated with this acquisition to zero. Dr. Zhou was terminated as Co-CEO of Genexosome on August 14, 2019. Further, on October 28, 2019, Research Institute at Nationwide Children's Hospital ("Research Institute") filed a Complaint in the United States District Court for the Southern District of Ohio Eastern Division against Dr. Zhou, Li Chen, the Company and Genexosome with various claims against the Company and Genexosome including misappropriation of trade secrets in violation of the Defend Trade Secrets Act of 2016 and violation of Ohio Uniform Trade Secrets Act. Research Institute is seeking monetary damages, injunctive relief, exemplary damages, injunctive relief and other equitable relief. The Company intends to vigorously defend against this action and pursue all available legal remedies. The criminal proceedings against Dr. Zhou and Li Chen have been concluded and the civil litigation continue. While there can be no assurances, the Company believes it has substantial legal and factual defenses to the Research Institute's claims and the likelihood of any findings of liability for the Company cannot be assessed at this time.

### ITEM 1A. RISK FACTORS

Except for the additional risk factors addressed below, there were no material changes from the risk factors set forth under Part I, Item 1A., "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. You should carefully consider these factors in addition to the other information set forth in this report which could materially affect our business, financial condition or future results. The risks and uncertainties described in this report and in our Annual Report on Form 10-K for the year ended December 31, 2020, as well as other reports and statements that we file with the SEC, are not the only risks and uncertainties facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, results of operations or cash flows.

Our general development operations have continued during the COVID-19 pandemic and we have not had significant disruption. Currently we are unable to accurately predict the future impact of COVID-19 due to the developing circumstances and uncertainty surrounding this current pandemic, including the ultimate geographic spread of COVID-19, the severity of the disease, the duration of the outbreak, and effectiveness of the actions that may be taken by governmental authorities. Our management has been closely monitoring the impact caused by COVID-19 and we will continue to operate our business as steadily and safely as we can.

#### General Risk Factors

*We have entered into two third-party research agreements to advance our sponsored research programs. These arrangements may not ultimately yield any promising product candidates for preclinical or clinical development. We may not be able to fully realize the benefits of any intellectual property generated by these arrangements.*

Part of our strategy involves collaborative sponsored research to be performed by third-party research institutions. Avalon has entered into various research agreements including an agreement with Massachusetts Institute of Technology (MIT) to research novel therapeutic and diagnostic targets development utilizing QTY-code protein design technology including using the QTY code protein design technology for development of a hemofiltration device to treat Cytokine Storm Strategic as well as a partnership with the University of Natural Resources and Life Sciences (BOKU) in Vienna, Austria to develop an S-layer vaccine that can be administered by an intranasal or oral route against SARS-CoV-2, the novel coronavirus that causes COVID-19 disease.

Although we seek to direct this research and advise on the design of these projects as well as critical development decisions, this research is being performed by individuals who are not our employees and the timeline and quality of the research efforts are outside of our direct control. Academic investigators and other researchers may have different priorities than we do as a CellTech bio-developer. The sponsored research agreements we enter into for these programs generally provide that any inventions resulting from the research will be owned by the research institution performing the research, and that we have an option to negotiate for a license to develop and exploit any such inventions. Confidential information and new inventions derived from these research efforts may be disclosed through publications or other means prior to our third-party research collaborators being able to protect such intellectual property through the filing of patent applications. Our third-party research collaborators may not be able to obtain or maintain full ownership of inventions that are derived from the research or associated rights, which may limit their ability to provide us with a license to all relevant intellectual property on terms and conditions that are acceptable to us. Even if our collaborative research efforts yield promising results or new technological advances, they may not ultimately result in our being able to protect, develop or exploit the resulting intellectual property.

#### Risks Related to the VIE Structure and SenlangBio being a PRC Domestic Entity

*There are uncertainties regarding the interpretation and enforcement of PRC laws, rules, and regulations in general.*

SenlangBio's operations are conducted in the PRC, and are governed by PRC laws, rules, and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

Recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to a significant degree of interpretation by PRC regulatory agencies and courts. Because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-precedential nature of these decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Therefore, it is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts, including the VIE agreements, and could materially and adversely affect our business, financial condition, and results of operations.

In addition, the PRC government has recently announced its plans to enhance its regulatory oversight of Chinese companies listing overseas. The Opinions on Intensifying Crack Down on Illegal Securities Activities issued on July 6, 2021, called for extraterritorial application of China's securities laws. As the Opinions on Intensifying Crack

Down on Illegal Securities Activities were recently issued, there are great uncertainties with respect to the interpretation and implementation thereof. The Chinese government may promulgate relevant laws, internal rules and regulations that may impose additional and significant obligations and liabilities on overseas listed Chinese companies regarding data security, cross-border data flow, and compliance with China's securities laws. These laws and regulations can be complex and stringent, and many are subject to change and uncertain interpretation, which could result in claims, change to our data and other business practices, regulatory investigations, penalties, increased cost of operations, or declines in user growth or engagement, or otherwise affect our business." It is uncertain whether or how these new laws, rules and regulations and the interpretation and implementation thereof may affect SenlangBio.

***The business of SenlangBio may fall into the prohibited foreign investment category under currently effective PRC laws.***

On March 15, 2019, the National People's Congress ("NPC") promulgated the Foreign Investment Law, which took effect on January 1, 2020, and replaced three existing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law grants foreign invested entities the same treatment as PRC domestic entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list" published by the State Council. Sen Lang is a BVI company and the PRC Subsidiary is currently considered to be a foreign invested entity.

The latest version of the "negative list," namely, the Special Management Measures (Negative List) for the Access of Foreign Investment (2020), which became effective on July 23, 2020, provides that foreign investment is prohibited in the development and application of human stem cells, genetic diagnosis and treatment technology. However, the PRC laws do not clarify the meaning of "development and application of human stem cells, genetic diagnosis and treatment technology" and do not explain whether transactions involving a VIE Structure should be considered as "investment" in the context of the prohibition of foreign investment. SenlangBio's main business is conducting R&D and clinical transformation of immunotherapy cell therapy, which involves modifying the patient's T-Cells genetically. Despite the foregoing lack of clarity, the applicable rules could be interpreted in a way unfavorable to the business of SenlangBio. In the context of law enforcement, if the competent PRC authorities and courts interpret "development and application of human stem cells, genetic diagnosis and treatment technology" broadly, the modification of T-Cells genetically could be considered as falling into the prohibited foreign investment category. If SenlangBio's CAR-T cell therapies or other technologies that are being researched and developed are deemed by relevant PRC regulatory agencies as falling into the category of "human stem cells, genetic diagnosis and treatment technology," SenlangBio would be prohibited from engaging in the research or development of such technologies. In that event, Avalon and the Sen Lang Beneficial Shareholders would have to restructure Avalon's control over SenlangBio. SenlangBio may also have to forfeit its income derived from the research and development of such technologies. Any of these occurrences may harm Avalon's and SenlangBio's business, prospects, financial condition, and results of operations significantly.

***Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, its implementing rules, Foreign Investment Security Review Measures, other regulations and how they may impact the viability of the VIE structure, business, financial condition, and results of operations.***

The VIE structure has been adopted by many China-based companies to obtain licenses and permits necessary to operate in industries that currently are subject to restrictions on or prohibitions for foreign investment in China. The Ministry of Commerce ("MOFCOM") published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft Foreign Investment Law, according to which, variable interest entities that are controlled via contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately "controlled" by foreign investors. Even though such language did not appear in the official Foreign Investment Law promulgated by the PRC State Council in 2019, there can be no assurance that the concept of "control" as reflected in the 2015 Draft of the Foreign Investment Law, will not be reintroduced, or that the VIE structure adopted by us will not be deemed as a method of foreign investment by other laws, regulations and rules. In addition, as the 2019 Foreign Investment Law has a catch-all provision that broadly defines "foreign investments" as those made by foreign investors in China through methods as specified in laws, administrative regulations, or as stipulated by the PRC State Council, relevant government authorities may promulgate additional rules and regulations as to the interpretation and implementation of the 2019 Foreign Investment Law. Therefore, the use of a VIE Structure could be considered a violation of the applicable PRC laws.

Accordingly, there are substantial uncertainties as to whether the VIE structure may be deemed as a method of foreign investment in a restricted industry in the future. If the VIE structure were to be deemed as a method of foreign investment under any future laws, regulations and rules, and if any of our business operations were to fall under the "negative list" for foreign investment, the VIE structure may be found to be in violation of any existing or future PRC laws, rules or regulations, then the relevant PRC regulatory authorities would have broad discretion to take action in dealing with these violations or failures, including revoking the business and operating licenses of SenlangBio, requiring it to discontinue or restrict its operations, restricting its right to collect revenue, requiring it to restructure our operations or taking other regulatory or enforcement actions against it. The imposition of any of these measures could result in a material adverse effect on SenlangBio's ability to conduct all or any portion of its business operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of SenlangBio in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws, rules, and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of SenlangBio or otherwise separate from SenlangBio and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of SenlangBio in our consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, on December 19, 2020, the National Development and Reform Commission and MOFCOM promulgated the Foreign Investment Security Review Measures, which took effect on January 18, 2021. There are great uncertainties with respect to its interpretation and implementation. Under the Foreign Investment Security Review Measures, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, IT, Internet products and services, financial services and technology sectors, are required to be approved by designated governmental authorities in advance. Since SenlangBio's main business is conducting R&D and clinical transformation of immunotherapy cell therapy, we cannot rule out the possibility that investment in SenlangBio may be regarded as "investment in technology sectors," which would require approval from governmental authorities. Moreover, because the term "investment through other means" is not clearly defined under the Foreign Investment Security Review Measures, we cannot rule out the possibility that control through contractual arrangement may be regarded as a form of actual control and therefore require approval from the competent governmental authority.

***The filing or change of the medical institution practice license of SenlangBio Clinical Laboratory may be affected by the VIE Structure.***

As SenlangBio Clinical Laboratory is a medical institution under the PRC laws, its operation is subject to the PRC regulation of foreign investment in the area of medical institution, which provides that a foreign investor can acquire 70% (to the highest extent) of the equity interests in a PRC medical institution. The relevant PRC laws also provide that the related government authority shall not approve any application of licenses/permits if the application is related to a company failing to comply with PRC foreign investment regulation. Therefore, if the competent PRC authority responsible for the registration of the medical institution practice license of SenlangBio Clinical Laboratory adopts a broad understanding of foreign investment rules that controlling via agreements can be deemed as a way of investment, the authority may disapprove SenlangBio Clinical Laboratory's application in relation to its medical institution practice license, including any extension of such license. In the worst case, theoretically, the competent authorities may deem the VIE Agreements unenforceable because they are in violation of the PRC laws. In that event, SenlangBio Clinical Laboratory would not be qualified to conduct any business of testing of immunology, serology and molecular genetics specialties for patients, including hematology-tumor diagnostics and testing prior to clinical trials for cell therapy, which would result in the loss of the license and thereby the loss of income to SenlangBio from this business.

***Changes in the policies of the PRC government could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of our business.***

The PRC's economy is in a transition from a planned economy to a market-oriented economy subject to five-year and annual plans adopted by the government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions within the PRC. There can be no assurance that the PRC government will continue to support a market orientated economy. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Although the PRC government has been pursuing economic reform policies for more than two decades, there is no assurance that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social environment.



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

### Common Shares Issued for Services

During the six months ended June 30, 2021, the Company issued a total of 790,000 shares of its common stock for services rendered and to be rendered. These shares were valued at \$894,300, the fair market values on the grant dates using the reported closing share prices on the dates of grant, and the Company recorded stock-based compensation expense of \$398,518 for the six months ended June 30, 2021 and reduced accrued liabilities of \$261,032 and recorded prepaid expense of \$234,750 as of June 30, 2021 which will be amortized over the rest of corresponding service periods.

### Common Shares Issued for Settlement of Accrued Professional Fees

In June 2021, the Company issued 167,355 shares of its common stock to settle accrued and unpaid professional fees of \$202,500.

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

### Equity Offering

On December 13, 2019, the Company entered into an Open Market Sale Agreement<sup>SM</sup> (the “Sales Agreement”) with Jefferies LLC, as sales agent (“Jefferies”), pursuant to which the Company may offer and sell, from time to time, through Jefferies, shares of its common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$20.0 million. On April 6, 2020, the date on which the Company filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2019, the Company’s registration statement became subject to the offering limits set forth in General Instruction I.B.6 of Form S-3. From December 13, 2019 through August 16 2021, Jefferies sold an aggregate of 5,900,275 shares of common stock at an average price of \$1.62 per share to investors. The Company received net cash proceeds of \$9,272,463, net of commission paid to sales agent of \$286,777.

### Merger

On June 13, 2021, the Company entered into a Share Purchase Agreement (the “Purchase Agreement”), by and among the Company, Lonlon Biotech Ltd., a company incorporated in the British Virgin Islands (“BVI”) (“Sen Lang”), the holders of the share capital of Sen Lang (the “Sen Lang Shareholders”), the ultimate beneficial owners of the Sen Lang Shareholders (the “Sen Lang Beneficial Shareholders” and, together with the Sen Lang Shareholders, the “Sen Lang Owners”) and a representative of the Sen Lang Owners (the “Sen Lang Representative”). Pursuant to the Purchase Agreement, subject to the satisfaction of the conditions to closing therein, including approval by the Avalon stockholders pursuant to the rules of the Nasdaq Stock Market (“Nasdaq”), Avalon agreed to purchase (the “Acquisition”) all of the issued and outstanding share capital of Sen Lang (the “Sen Lang Shares”).

Sen Lang, through a “variable interest entity” structure of contractual rights held by its wholly-owned subsidiary Beijing Langlang Runfeng Biotechnology Co., Ltd., a wholly foreign owned enterprise with limited liability organized and existing under the laws of the People’s Republic of China (the “PRC”) (the “PRC Subsidiary”), has full economic benefit and management control over, and is consolidated for accounting purposes with, Senlang Biotechnology Co. Ltd., a PRC domestic company with limited liability organized and existing under the laws of the PRC (the “OpCo” or “SenlangBio”). The OpCo is mainly engaged in the business of research and development in relation to CAR-T cell therapy, immune cell therapy and related drug development. The OpCo is owned 100% by certain of the Sen Lang Beneficial Shareholders. A wholly-owned subsidiary of the OpCo, Shijiazhuang Senlang Medical Laboratory Co., Ltd., a company with limited liability organized and existing under the laws of the PRC (“SenlangBio Clinical Laboratory”) is engaged in the business of testing of immunology, serology and molecular genetics specialties for patients, including hematology-tumor diagnostics and testing prior to clinical trials for cell therapy.

Prior to the execution of the Purchase Agreement, the Board of Directors of Avalon (the “Board”), unanimously (i) determined that the terms and provisions of the Purchase Agreement and the transactions contemplated thereby, including the Acquisition, are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved the Purchase Agreement and the transactions contemplated thereby, including the Acquisition, (iii) authorized, empowered and directed the Company to perform all of its obligations under the Purchase Agreement and related documents, and (iv) resolved to recommend the adoption of the Purchase Agreement by the stockholders of the Company in compliance with the rules of Nasdaq (the “Company Board Recommendation”).

The purchase price being paid by Avalon to the Sen Lang Shareholders under the Purchase Agreement for the Sen Lang Shares is an aggregate of 81 million shares (the “Acquisition Shares”) of the common stock, par value US\$0.0001 per share, of Avalon (the “Avalon Common Stock”). Ten percent (10%), or 8.1 million, of such shares will be held in escrow for 12 months following the closing to satisfy any indemnification obligations of the Sen Lang Shareholders under the Share Purchase Agreement. In addition, at the closing of the Acquisition, it is expected that Dr. Jianqiang Li, scientific founder and CSO of the OpCo, will join the board of the Company, and Dr. Li will also be appointed as Chief Technology Officer of the Company. The Acquisition Shares will not be registered under the Securities Act of 1933, as amended (the “Securities Act”) and, therefore, will be restricted securities under Rule 144 under the Securities Act for six months or longer after the closing of the Acquisition, subject to “affiliate” status with the Company under the Securities Act.

The Purchase Agreement contains customary representations, warranties and covenants made by the parties thereto, including covenants relating to obtaining the requisite approvals of the stockholders of Avalon and Sen Lang, regulatory approvals and Avalon's and Sen Lang's conduct of their respective businesses (and that of the OpCo) between the date of signing of the Purchase Agreement and the closing of the Acquisition.

The Acquisition is expected to be accounted for as a business acquisition, with the Company identified as the accounting acquirer. The Company is considered the accounting acquirer since immediately following the closing: (i) the Company's stockholders will own a majority of the voting rights of the post-Acquisition company; (ii) the Company will have designate a majority (eight of nine) of the initial members of the board of directors of the post-Acquisition company; (iii) the Company's senior management will hold the majority of the key positions in senior management of the post-Acquisition company; and (iv) the Company will continue to maintain its corporate headquarters in Freehold, New Jersey, United States. SenlangBio will continue to maintain operations in the Shijiazhuang High-tech Development Zone, Hebei Province, China.

The acquisition consideration is 81,000,000 shares of the Company's Common Stock. The purchase price will be allocated to the acquired assets and assumed liabilities based on their fair values at the closing date, and any excess is initially allocated to identifiable intangible assets mainly consisting of cell and gene engineering technologies with the ability to generate innovative and transformative cellular immunotherapies for solid and hematologic cancers, which will be amortized over 10 years. The initial allocation is subject to change upon the final valuation which is to be done at the time of closing. Such change could have a material impact on the Company's financial statements.

As of June 30, 2020, the Company had incurred costs of \$938,073 with respect to the Merger and these costs have been expensed.

### Equity Financing

In connection with the Acquisition mentioned above, on June 13, 2021, an institutional investor (the "Investor") entered into an agreement with the OpCo related to the purchase of registered capital of the OpCo (the "OpCo Capital Increase Agreement") pursuant to which the Investor will acquire an aggregate of up to 13.5% of the equity ownership of the OpCo for an aggregate purchase price of approximately US\$30,000,000 (the "Equity Financing"), which funds will be invested in the OpCo in three equal installments of US\$10,000,000, at a fixed price, the first to be upon the closing of the Acquisition, the second to be within three months after the closing and the third to be within six months after the closing. In addition, pursuant to a Securities Exchange Agreement (the "Exchange Agreement"), by and among the Company, Sen Lang, the OpCo and the Investor, dated June 13, 2021, the Investor has the right, exercisable between the six-month and five year-anniversaries of the respective initial closing and installment closings, to elect to exchange, from time to time, all or part of its then-owned equity ownership of the OpCo for shares (the "Exchange Shares") of Avalon Common Stock at a fixed exchange price of US\$1.21 per share of Avalon Common Stock, which was the market price of the Avalon Common Stock as of the date of the Exchange Agreement under Nasdaq rules. In addition, the Exchange Agreement provides that the Investor may only exchange up to 10% of its total investment amount in any 30-day period.

China eCapital Holdings, Ltd. (CEC Capital) served as financial advisor to Avalon in connection with the Equity Financing and will receive a cash fee of approximately \$900,000, representing 3% of the gross proceeds from the Equity Financing.

### ITEM 6. EXHIBITS

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

<b>Exhibit Number</b>	<b>Description</b>
1.1	<a href="#"><u>Open Market Sale AgreementSM, dated as of December 13, 2019, by and between Avalon GloboCare Corp. and Jefferies LLC. (incorporated by reference to Exhibit 1.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 13, 2019)</u></a>
3.1	<a href="#"><u>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)</u></a>
3.2	<a href="#"><u>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)</u></a>

- 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 †	<a href="#"><u>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)</u></a>
10.9	<a href="#"><u>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)</u></a>
10.10	<a href="#"><u>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)</u></a>
10.11	<a href="#"><u>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)</u></a>
10.12	<a href="#"><u>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)</u></a>
10.13	<a href="#"><u>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)</u></a>
10.14	<a href="#"><u>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)</u></a>
10.15	<a href="#"><u>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)</u></a>
10.16 †	<a href="#"><u>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)</u></a>
10.17	<a href="#"><u>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)</u></a>
10.18 †	<a href="#"><u>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)</u></a>
10.19	<a href="#"><u>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)</u></a>
10.20 †	<a href="#"><u>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)</u></a>
10.21 †	<a href="#"><u>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)</u></a>

- 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 Ingarciola 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 March 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†	<a href="#">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)</a>
10.38†	<a href="#">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)</a>
10.39	<a href="#">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)</a>
10.40	<a href="#">Revolving Line of Credit Agreement dated as of August 29, 2019 between Avalon GloboCare Corp. and Wenzhao “Daniel” Lu dated August 29, 2019 (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2019)</a>
10.41	<a href="#">Form of Warrant Redemption and Cancellation Agreement (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 21, 2019)</a>
10.42	<a href="#">Letter Agreement by and between Avalon GloboCare Corp. and David Jin dated February 20, 2020 (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2020)</a>
10.43	<a href="#">Letter Agreement by and between Avalon GloboCare Corp. and Meng Li dated February 20, 2020 (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2020)</a>
10.44	<a href="#">Letter Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola dated February 20, 2020 (Incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2020)</a>
21.1	<a href="#">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)</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act</a>
32.1*	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* 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 16, 2021

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

Date: August 16, 2021

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

**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 16, 2021

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

**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 16, 2021

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

**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 Ingarciola, 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, 2021, 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 16, 2021

/s/ David K. Jin

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

Date: August 16, 2021

/s/ Luisa Ingarciola

Luisa Ingarciola  
Chief Financial Officer  
(Principal Financial and Accounting Officer)