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

FORM 10-Q

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2019

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____to _____

000-55038
Commission file number

SeD Intelligent Home Inc.
(Exact name of registrant as specified in its charter)

NEVADA	**27-1467607**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
4800 Montgomery Lane, Suite 210, Bethesda, Maryland	**20814**
(Address of principal executive offices)	(Zip Code)

301-971-3940
Registrant's telephone number, including area code

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
(Do not check if a smaller reporting company)		Emerging growth company	☐

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

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

As of August 14, 2019, there were 704,043,324 shares of the registrant's common stock $0.001 par value per share, issued and outstanding.

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SeD Intelligent Home Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	June 30, 2019 (Unaudited)	December 31, 2018 (As Restated)
Assets:		
Real Estate		
Construction in Progress	$ 15,721,867	$ 22,059,722
Land Held for Development	15,038,115	19,164,028
Real Estate Held For Sale	136,248	136,248
	30,896,230	41,359,998
Cash	2,492,440	715,754
Restricted Cash	4,447,038	3,929,410
Accounts Receivable	145,778	112,706
Related Party Receivable	20,046	-
Prepaid Expenses	14,696	46,443
Fixed Assets, Net	4,921	8,248
Deposits	23,603	23,603
Operating Lease Right-Of-Use (Asset)	123,486	-
Total Assets	$ 38,168,238	$ 46,196,162
Liabilities and Stockholders' Equity:		
Liabilities:		
Accounts Payable and Accrued Expenses	$ 881,692	$ 1,749,268
Accrued Interest - Related Parties	1,581,981	2,344,227
Tenant Security Deposits	1,225	1,225
Builder Deposits	2,998,524	3,878,842
Note Payable	-	13,899
Notes Payable - Related Parties	-	5,745,584
Operating Lease Liability	133,135	-
Total Liabilities	5,596,557	13,733,045
Stockholders' Equity:		
Common Stock, at par $0.001, 1,000,000,000 shares authorized and 704,043,324 issued, and outstanding at June 30, 2019 and December 31, 2018, respectively	704,043	704,043
Additional Paid In Capital	32,542,720	32,542,720
Accumulated Deficit	(3,072,808)	(3,670,974)
Total Stockholders' Equity	30,173,955	29,575,789
Non-controlling Interests	2,397,726	2,887,328
Total Stockholders' Equity	32,571,681	32,463,117
Total Liabilities and Stockholders' Equity	$ 38,168,238	$ 46,196,162

See accompanying notes to condensed consolidated financial statements.

SeD Intelligent Home Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2019 and 2018
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue				
Rental	$ 4,365	$ -	$ 8,730	$ -
Property	5,248,220	2,113,248	16,562,450	6,219,022
	5,252,585	2,113,248	16,571,180	6,219,022
Operating Expenses				
Cost of Sales	4,549,097	1,976,012	15,265,248	5,569,520
General and Administrative	261,732	240,896	486,745	494,702
	4,810,829	2,216,908	15,751,993	6,064,222
Income (Loss) From Operations	441,756	(103,660)	819,187	154,800
Other Income				
Interest Income	10,475	5,255	25,657	11,221
Other Income	2,470	78,172	3,970	81,313
	12,945	83,427	29,627	92,534
Net Income (Loss) Before Income Taxes	454,701	(20,233)	848,814	247,334
Provision for Income Taxes	-	-	-	-
Net Income (Loss)	454,701	(20,233)	848,814	247,334
Net Income Attributable to Non-controlling Interests	129,340	25,794	250,648	116,383
Net Income (Loss) Attributable to Common Stockholders	$ 325,361	$ (46,027)	$ 598,166	$ 130,951
Net Income (Loss) Per Share - Basic and Diluted	$ 0.00	$ (0.00)	$ 0.00	$ 0.00
Weighted Average Common Shares Oustanding - Basic and Diluted	704,043,324	704,043,324	704,043,324	704,043,324

See accompanying notes to condensed consolidated financial statements.

SeD Intelligent Home Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
For Six-Month Period ended June 30, 2019
(Unaudited)

	Common Stock					
	Shares	Par Value $0.001	Additional Paid in Capital	Accumulated Deficit	Minority Interest	Total Stockholders Equity
January 1, 2019	704,043,324	704,043	32,542,720	(3,670,974)	2,887,328	32,463,117
Net Income				272,805	121,308	394,113
March 31, 2019		704,043	32,542,720	(3,398,169)	3,008,636	32,857,230
Cash Dividend Distribution to Minority Interest					(740,250)	(740,250)
Net Income				325,361	129,340	454,701
June 30, 2019	704,043,324	$ 704,043	$32,542,720	(3,072,808)	$ 2,397,726	$32,571,681

SeD Intelligent Home Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
For Six-Month Period ended June 30, 2018
(Unaudited)

	Common Stock					
	Shares	Par Value $0.001	Additional Paid in Capital	Accumulated Deficit	Minority Interest	Total Stockholders Equity
January 1, 2018	704,043,324	704,043	32,739,017	(2,092,837)	2,255,091	33,605,314
Net Income				176,978	90,589	267,567
March 31, 2019	704,043,324	704,043	32,739,017	(1,915,859)	2,345,680	33,872,881
Net (Loss) Income				(46,027)	25,794	(20,233)
Balance at June 30, 2018	704,043,324	$ 704,043	$32,739,017	(1,961,886)	$ 2,371,474	$33,852,648

See accompanying notes to condensed consolidated financial statements.

SeD Intelligent Home Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2019 and 2018
(Unaudited)

	2019	2018
Cash Flows From Operating Activities		
Net Income	$ 848,814	$ 247,334
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	3,327	10,499
Changes in Operating Assets and Liabilities		
Real Estate	10,463,768	2,472,804
Right -Of- Use Operating	37,579	-
Accounts Receivable	(33,072)	511,506
Related Party Receivable	(20,046)	-
Prepaid Expenses	23,976	17,989
Accounts Payable and Accrued Expenses	(845,930)	(190,861)
Accrued Interest - Related Parties	(762,246)	226,563
Operating Lease Liability	(41,805)	-
Tenant Security Deposits	-	(1,400)
Builder Deposits	(880,318)	(913,870)
Net Cash Provided By Operating Activities	8,794,047	2,380,564
Cash Flows From Financing Activities		
Repayments to Note Payable	(13,899)	(2,729,301)
Net Proceeds from Notes Payable - Related Parties	-	260,999
Repayment to Notes Payable - Related Parties	(5,745,584)	-
Cash Dividend Distribution to Minority Shareholder	(740,250)	-
Net Cash Used In Financing Activities	(6,499,733)	(2,468,302)
Net Increase (Decrease) in Cash and Restricted Cash	2,294,314	(87,738)
Cash and Restricted Cash - Beginning of Year	4,645,164	3,014,903
Cash and Restricted Cash - End of Period	$ 6,939,478	$ 2,927,165
Supplementary Cash Flow Information		
Cash Paid For Interest	$ 3,822	$ 211,075
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Amortization of Debt Discount Capitalized	$ -	$ 35,070

See accompanying notes to condensed consolidated financial statements.

SeD Intelligent Home, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
June 30, 2019 (Unaudited)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

SeD Intelligent Home Inc. (the "Company"), formerly known as Homeownusa, was incorporated in the State of Nevada on December 10, 2009. On December 29, 2017, the Company acquired SeD Home Inc. ("SeD Home") by reverse merger. SeD Home, a Delaware corporation, was formed on February 24, 2015 and was named SeD Home USA, Inc. before changing its name in May of 2015. SeD Home is principally engaged in developing, selling, managing, and leasing residential properties in the United States, and may expand from residential properties to other property types, including but not limited to commercial and retail properties. The Company is 99.99% owned by SeD Home International, Inc., which is wholly owned by Singapore eDevelopment Limited ("SeD Ltd"), a multinational public company listed on the Singapore Exchange Securities Trading Limited ("SGXST").

Principles of Consolidation

The condensed consolidated financial statements include all accounts of the following entities as of the reporting period ending dates and for the reporting periods as follows:

Name of consolidated subsidiary	State or other jurisdiction of incorporation or organization	Date of incorporation or formation	Attributable interest
SeD USA, LLC	Delaware	August 20, 2014	100%
150 Black Oak GP, Inc.	Texas	January 23, 2014	100%
SeD Development USA, Inc.	Delaware	March 13, 2014	100%
150 CCM Black Oak Ltd.	Texas	March 17, 2014	100%
SeD Ballenger, LLC	Delaware	July 7, 2015	100%
SeD Maryland Development, LLC	Delaware	October 16, 2014	83.55%
SeD Development Management, LLC	Delaware	June 18, 2015	85%
SeD Builder, LLC	Delaware	October 21, 2015	100%
SeD Texas Home, LLC	Delaware	June 16, 2015	100%
SedHome Rental, Inc.	Texas	December 19, 2018	100%

All intercompany balances and transactions have been eliminated. Non–controlling interest represents the minority equity investment in the Company's subsidiaries, plus the minority investors' share of the net operating results and other components of equity relating to the non–controlling interest.

As of June 30, 2019 and December 31, 2018, the aggregate non-controlling interest in SeD Home, Inc. was $2,397,726 and $2,887,328, respectively, which is separately disclosed on the condensed Consolidated Balance Sheet.

On December 29, 2017, the Company, SeD Acquisition Corp., a Delaware corporation and wholly owned subsidiary of the Company (the "Merger Sub"), SeD Home, Inc. ("SeD Home"), a Delaware corporation, and SeD Home International, Inc., a Delaware corporation entered into an Acquisition Agreement and Plan of Merger (the "Reverse Merger") pursuant to which the Merger Sub was merged with and into SeD Home, with SeD Home surviving as a wholly owned subsidiary of the Company. The closing of this transaction (the "Closing") also took place on December 29, 2017 (the "Closing Date"). Prior to the Closing, SeD Home International, Inc. was the owner of 100% of the issued and outstanding common stock of SeD Home and was also the owner of 99.96% of the Company's issued and outstanding common stock. The Company acquired all of the outstanding common stock of SeD Home from SeD Home International, Inc. in exchange for issuing to SeD Home International, Inc. 630,000,000 shares of the Company's common stock. Accordingly, SeD Home International, Inc. remains the Company's largest shareholder, and the Company is now the sole shareholder of SeD Home. The Agreement and the transactions contemplated thereby were approved by the Board of Directors of each of the Company, the Merger Sub, SeD Home International, Inc., and SeD Home. The Agreement is considered a business combination of companies under common control and therefore, the condensed consolidated financial statements include the financial statements of both companies.

Basis of Presentation

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The unaudited financial information furnished herein reflects all adjustments, consisting solely of normal recurring items, which in the opinion of management are necessary to fairly state the financial position of the Company and the results of its operations for the periods presented. This report should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Form 10-K/A for the year ended December 31, 2018 filed on May 20, 2019. The Company assumes that the users of the interim financial information herein have read or have access to the audited financial statements for the preceding fiscal year and the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The condensed consolidated balance sheet on December 31, 2018 was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results of operations for the interim periods presented are not necessarily indicative of results for the year ending December 31, 2019.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements. Actual results could differ from those estimates.

Earnings (Loss) per Share

Basic income (loss) per share is computed by dividing the net loss attributable to the common stockholders by weighted average number of shares of common stock outstanding during the period. Fully diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. There were no potentially dilutive financial instruments issued or outstanding for the periods ended June 30, 2019 or December 31, 2018.

Fair Value of Financial Instruments

For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amount of the Company's short-term financial instruments approximates fair value due to the relatively short period to maturity for these instruments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents as of June 30, 2019 and December 31, 2018.

Restricted Cash

As a condition to the loan agreement with the Union Bank (formerly known as Xenith Bank, f/k/a The Bank of Hampton Roads), the Company was required to maintain a minimum of $2,600,000 in an interest-bearing account maintained by the lender as additional security for the loans. The funds were required to remain as collateral for the loans until the loans are paid off in full. The loan has been fully paid off in January 2019 and the collateral was released on April 19, 2019.

On April 17, 2019, SeD Maryland Development, LLC entered into a Development Loan Agreement with Manufacturers and Traders Trust Company ("M&T Bank"). Based on the agreement, SeD Maryland Development is required to maintain a minimum balance of $2,600,000 as a security collateral fund in the interest-bearing account maintained by the lender. Based on the Development Loan Agreement with M&T Bank, M&T Bank keeps the over payment fund of the revolver loan and can only apply to future revolver loan borrowings. On June 30, 2019, the restricted cash balance in M&T Bank account was $3,973,556.

On July 20, 2018, Black Oak LP received $4,592,079 of district reimbursement for previous construction costs incurred in land development. Of this amount, $1,650,000 will remain on deposit in the District's Capital Projects Fund for the benefit of Black Oak LP and will be released upon receipt of the evidence of: (a) the execution of a purchase agreement between Black Oak LP and a home builder with respect to the Black Oak development and (b) the completion, finishing and readying for home construction of at least 105 unfinished lots in the Black Oak development. The restricted cash balance on June 30, 3019 and December 31, 2018 was $473,482 and $1,203,256, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable include all receivables from buyers, contractors and all other parties. The Company records an allowance for doubtful accounts based on a review of the outstanding receivables, historical collection information and economic conditions. No allowance was necessary at June 30, 2019 and December 31, 2018.

Property and Equipment and Depreciation

Property and equipment are recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation is computed by the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives, which are 3 years.

Real Estate Assets

Real estate assets are recorded at cost, except when real estate assets are acquired that meet the definition of a business combination in accordance with Financial Accounting Standards Board ("FASB") ASC 805, "Business Combinations," which acquired assets are recorded at fair value. Interest, property taxes, insurance and other incremental costs (including salaries) directly related to a project are capitalized during the construction period of major facilities and land improvements. The capitalization period begins when activities to develop the parcel commence and ends when the asset constructed is completed. The capitalized costs are recorded as part of the asset to which they relate and are reduced when lots are sold.

The Company capitalized interest from related party borrowings of $79,662 and $226,563 for the six months ended June 30, 2019 and 2018, respectively. The Company capitalized interest from the third-party borrowings of $3,822 and $202,219 for the six months ended June 30, 2019 and 2018, respectively. The Company capitalized interest from related party borrowings of $19,071 and $114,580 for the three months ended June 30, 2019 and 2018, respectively. The Company capitalized interest from the third-party borrowings of $2,868 and $92,226 for the three months ended on June 30, 2019 and 2018, respectively.

A property is classified as "held for sale" when all of the following criteria for a plan of sale have been met:

(1) management, having the authority to approve the action, commits to a plan to sell the property;

(2) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary;

(3) an active program to locate a buyer and other actions required to complete the plan to sell, have been initiated;

(4) the sale of the property is probable and is expected to be completed within one year or the property is under a contract to be sold;

(5) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and

(6) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When all of these criteria have been met, the property is classified as “held for sale”. “Real estate held for sale” only includes the El Tesoro project.

In addition to our annual assessment of potential triggering events in accordance with ASC 360, the Company applies a fair value based impairment test to the net book value assets on an annual basis and on an interim basis if certain events or circumstances indicate that an impairment loss may have occurred.

On October 12, 2018, 150 CCM Black Oak, Ltd. entered into an Amended and Restated Purchase and Sale Agreement for these 124 lots. Pursuant to the Amended and Restated Purchase and Sale Agreement, the purchase price remained $6,175,000, 150 CCM Black Oak, Ltd. was required to meet certain closing conditions and the timing for the closing was extended. On January 18, 2019, the sale of 124 lots at the Company’s Black Oak project in Magnolia, Texas was completed. After allocating costs of revenue to this sale, we had approximately $2.4 million loss from this sale and recognized approximately $2.4 million as the impairment of real estate in 2018.

During the six months ended June 30, 2019, there was no further impairment recognized for any of the projects.

Revenue Recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The Company adopted this new standard on January 1, 2018 under the modified retrospective method. The adoption of this new standard did not have a material effect on our financial statements.

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods or services. The provisions of ASC 606 include a five-step process by which we determine revenue recognition, depicting the transfer of goods or services to customers in amounts reflecting the payment to which we expect to be entitled in exchange for those goods or services. ASC 606 requires us to apply the following steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, we satisfy the performance obligation. A detailed breakdown of the five-step process for the revenue recognition of our Ballenger and Black Oak projects, which were essentially all of the revenue of the Company in 2019 and 2018, is as follows:

- Identify the contract with a customer.

The Company has signed agreements with the builders for developing the raw land to ready to build lots. The contract has agreed upon prices, timelines, and specifications for what is to be provided.

- Identify the performance obligations in the contract.

Performance obligations of the company include delivering developed lots to the customer, which are required to meet certain specifications that are outlined in the contract. The customer inspects all lots prior to accepting title to ensure all specifications are met.

- Determine the transaction price.

The transaction price is fixed and specified in the contract. Any subsequent change orders or price changes are required to be approved by both parties.

- Allocate the transaction price to performance obligations in the contract.

Each lot or a group of lots is considered to be a separate performance obligation, for which the specified price in the contract is allocated to.

- Recognize revenue when (or as) the entity satisfies a performance obligation.

The builders do the inspections to make sure all conditions/requirements are met before taking title of lots. The Company recognizes revenue when title is transferred. The Company does not have further performance obligations once title is transferred.

Contract Assets and Contract Liabilities:

Based on our contracts, we invoice customers once our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts do not give rise to contract assets or liabilities under ASC 606. Accounts receivable are recorded when the right to consideration becomes unconditional. We disclose receivables from contracts with customers separately in the statement of financial position.

Cost of Sales:

Land acquisition costs are allocated to each lot based on the area method, the size of the lot comparing to the total size of all lots in the project. Development costs and capitalized interest are allocated to lots sold based on the total expected development and interest costs of the completed project and allocating a percentage of those costs based on the selling price of the sold lot compared to the expected sales values of all lots in the project.

If allocation of development costs and capitalized interest based on the projection and relative expected sales value is impracticable, those costs could also be allocated based on area method, the size of the lot comparing to the total size of all lots in the project.

Income Taxes:

Deferred income tax assets and liabilities are determined based on the estimated future tax effects of net operating loss and credit carry-forwards and temporary differences between the tax basis of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. The differences relate primarily to net operating loss carryforward from date of acquisition and to the use of the cash basis of accounting for income tax purposes. The Company records an estimated valuation allowance on its deferred income tax assets if it is more likely than not that these deferred income tax assets will not be realized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the condensed consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company has not recorded any unrecognized tax benefits.

The Company's tax returns for 2018, 2017 and 2016 remain open to examination.

Recent Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. ASU 2016-18 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and a retrospective transition method is required. This guidance did not impact financial results, but resulted in a change in the presentation of restricted cash and restricted cash equivalents within the statement of cash flows. The Company adopted this guidance in the current period condensed consolidated statement of cash flows.

On February 25, 2016, the FASB released Accounting Standards Update No. 2016-02, Leases (Topic 842). From January 25, 2018 to July 30, 2018, the FASB also issued ASU 2018-01, 2018-10 and 2018-11 to clarify and specify some contents in ASU 2016-02. The new leasing standard presents dramatic changes to the balance sheets of lessees. Lessor accounting is updated to align with certain changes in the lessee model and the new revenue recognition standard. The standard had a material impact on the Company's condensed consolidated balance sheets, but did not have an impact on its condensed consolidated statements of operations. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases. The Company adopted this standard on January 1, 2019 and the balance of operating lease right-of-use assets and operating lease liabilities as of January 1, 2019 was $161,065 and 174,940, respectively. As a lessor of one home on leasing, this standard does not have material impact on the Company. The balances of operating lease right-of-use assets and operating lease liabilities as of June 30, 2019 was $123,486 and $133,135, respectively. Adoption of the standard had no impact to net cash from or used in operating, investing, or financing activities in the Company's condensed consolidated statement of cash flows.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As our leases do not provide a readily determinable implicit rate, we estimate our incremental borrowing rate to discount the lease payments based on information available at lease commencement. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease term includes options to extend or terminate when we are reasonably certain the option will be exercised. In general, we are not reasonably certain to exercise such options. We recognize lease expense for minimum lease payments on a straight-line basis over the lease term. We elected the practical expedient to not recognize operating lease right-of-use assets and operating lease liabilities for lease agreements with terms less than 12 months.

In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740) – Amendments to SEC paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 118." ASU 2018-05 amends the Accounting Standards Codification to incorporate various SEC paragraphs pursuant to the issuance of SAB 118, which addresses the application of generally accepted accounting principles in situations when a registrant does not have necessary information available, prepared, or analyzed (including computation) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. The ASU is not expected to have a material impact on the Company.

Subsequent Events

The Company evaluated the events and transactions subsequent to June 30, 2019, the balance sheet date, through August 14, 2019, the date the condensed consolidated financial statements were available to be issued.

2. CONCENTRATION OF CREDIT RISK

The group maintains cash balances at various financial institutions. These balances are secured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits. At June 30, 2019 and December 31, 2018, uninsured cash and restricted cash balances were $5,955,557and $3,783,330, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment stated at cost, less accumulated depreciation, consisted of the following:

	June 30, 2019	December 31, 2018
Computer Equipment	$ 41,597	41,597
Furniture and Fixtures	24,393	24,393
	65,990	65,990
Accumulated Depreciation	(61,069)	(57,742)
Fixed Assets Net	$ 4,921	$ 8,248

Depreciation expense was $3,327 and $10,499 for the six months ended June 30, 2019 and 2018, respectively.

4. BUILDER DEPOSITS

In November 2015, SeD Maryland Development, LLC ("SeD Maryland") entered into lot purchase agreements with NVR, Inc. ("NVR") relating to the sale of single-family home and townhome lots to NVR in the Ballenger Run Project. The purchase agreements were amended two times thereafter. Based on the agreements, NVR is entitled to purchase 479 lots for a price of approximately $64 million, which escalates 3% annually after June 1, 2018.

As part of the agreements, NVR was required to give a deposit in the amount of $5,600,000. Upon the sale of lots to NVR, 9.9% of the purchase price is taken as payback of the deposit. A violation of the agreements by NVR would cause NVR to forfeit the deposit. On January 3, 2019 NVR gave SeD Maryland Development, LLC another deposit in the amount of $100,000 based on the 3rd Amendment to the Lot Purchase Agreement. On June 30, 2019 and December 31, 2018, there were $2,998,524 and $3,878,842 outstanding, respectively.

5. NOTES PAYABLE

Union Bank Loan

On November 23, 2015, SeD Maryland entered into a Revolving Credit Note with the Union Bank in the original principal amount of $8,000,000. During the term of the loan, cumulative loan advances may not exceed $26,000,000. The line of credit bears interest at LIBOR plus 3.8% with a floor rate of 4.5%. On April 17, 2019, SeD Maryland Development LLC and Union Bank terminated the agreement.

As of June 30, 2019 and December 31, 2018, the principal balance is $0 and $13,899, respectively. As part of the transaction, the Company incurred loan origination fees and closing fees, totaling $480,947, which were recorded as debt discount and were amortized over the life of the loan based on the effective interest method. The unamortized debt discount was $0 on both June 30, 2019 and December 31, 2018.

M&T Bank Loan

On April 17, 2019, SeD Maryland Development LLC entered into a Development Loan Agreement with Manufacturers and Traders Trust Company ("M&T Bank") in the principal amount not to exceed at any one time outstanding the sum of $8,000,000, with a cumulative loan advance amount of $18,500,000. The line of credit bears interest of LIBOR plus 375 basis points. SeD Maryland Development LLC was also provided with a Letter of Credit ("L/C") Facility in an aggregate amount of $900,000. The annual L/C commission will be 1.5% per annum on the face amount of the L/C. Other standard lender fees will apply in the event L/C is drawn down. The loan is a revolving line of credit. The L/C Facility is not a revolving loan, and amounts advanced and repaid may not be re-borrowed. Repayment of the Loan Agreement is secured by $2.6 million collateral fund and a Deed of Trust issued to the Lender on the property owned by SeD Maryland.

As of June 30, 2019, the principal balance is $0. As part of the transaction, the Company incurred loan origination fees and closing fees in the amount of $381,823 and capitalized into construction in process.

6. RELATED PARTY TRANSACTIONS

Notes Payable before Loan Restructurings

SeD Home received advances from SeD Ltd (which was the 100% owner of the Company) to fund development costs and operation costs. The advances were unsecured, bear interest at 18% per annum and are payable on demand. As of December 31, 2015, SeD Home had outstanding principal due of $12,293,715 and accrued interest of $2,161,055 due to this related party.

SeD Home received advances from Singapore Construction & Development Pte Ltd (owned 100% by SeD Ltd) to fund development costs and operation costs. The advances were unsecured, bear interest at 18% per annum and were payable on demand. As of December 31, 2015, SeD Home had outstanding principal due of $4,300,930 and accrued interest of $1,461,058 due to this related party.

On September 30, 2015, SeD Home received $10,500,000 interest free loan, with a maturity date of March 31, 2016, from Hengfai Business Development Pte, Ltd, owned by the Chief Executive Officer of SeD Ltd, who is also the majority shareholder of SeD Ltd, specifically for the Ballenger Run project. SeD Home imputed interest at 13%, which is the interest rate on the Revere Loan noted in Note 5. The imputed interest resulted in a debt discount of $622,431 which is amortized over the life of the note. At December 31, 2015, SeD Home had $10,500,000 outstanding on the note and unamortized debt discount of $311,216. On April 1, 2016, SeD Home extended the note on the same terms through December 31, 2016. This resulted in an additional $933,647 of new imputed interest which was amortized during 2016.

Loan Restructurings

At December 31, 2016, considering the long-term development and short-term debt repayment, SeD Home restructured the loans from these affiliates. The restructuring process was done to transfer the loans to SeD Home International (99.99 % owner of the Company), the principal of which, $26,913,525, was then forgiven and recorded into additional paid in capital. SeD Home still owed the accrued interest of $6,283,207 to SeD Home International. The remaining accrued interest does not bear interest. On August 30, 2017, an additional $4,560,085 of this interest was forgiven and recorded into additional paid in capital. The remaining principal amount of $0 and $5,745,584 was still outstanding as of June 30, 2019 and December 31, 2018.

Loan from SeD Home Limited

SeD Home receives advances from SeD Home Limited (an affiliate of SeD Ltd), to fund development and operation costs. The advances bear interest at 10% and are payable on demand. As of June 30, 2019 and December 31, 2018, SeD Home had outstanding principal due of $0 and $1,116,406 and accrued interest of $228,559 and $193,382, respectively.

Loan from SeD Home International

SeD Home receives advances from SeD Home International. The advances bore interest at 18% until August 30, 2017 when the interest rate was adjusted to 5% and have no set repayment terms. At June 30, 2019 and December 31, 2018, there were $0 and $4,629,178 of principal and $1,353,242 and $2,150,845 of accrued interest outstanding, respectively. Both accrued outstanding interests include the remaining amount $1,723,122 after interest was forgiven on August 30, 2017 as discussed in previous paragraph.

During 2017, prior to the Reverse Merger, SeD Intelligent Home Inc. borrowed $30,000 from SeD Home International Inc. The borrowings did not bear any interest. In November 2017, the debt was forgiven by SeD Home International Inc. and was recognized into additional paid in capital.

Management Fees

Black Oak LP was obligated under the Limited Partnership Agreement (as amended) to pay a $6,500 per month management fee to Arete Real Estate and Development Company (Arete), a related party through common ownership and $2,000 per month to American Real Estate Investments LLC (AREI), a related party through common ownership. Arete is also entitled to a developer fee of 3% of all development costs excluding certain costs. The fees were to be accrued until $1,000,000 is received in revenue and/or builder deposits relating to the Black Oak Project.

On December 31, 2017, the Company had $314,630 owed to Arete and $48,000 to AREI.

On April 26, 2018, SeD Development USA, Arete and AREI reached an agreement to terminate the terms related to management fees and developer fees in the Limited Partnership Agreement. In July 2018, per the terms of the termination agreement, Black Oak LP paid Arete $300,000 and AREI $30,000 to fulfill the commitments.

MacKenzie Equity Partners, owned by Charles MacKenzie, a Director of the Company, has a consulting agreement with the Company since 2015. Per the terms of the agreement, as amended on January 1, 2018, the Company pays a monthly fee of $15,000 with an additional $5,000 per month due upon the close of the sale to Houston LD, LLC. From January 2019, the Company pays a monthly fee of $20,000 for the consulting service. The Company incurred expenses of $120,000 and $90,000 for the six months ended June 30, 2019 and 2018, respectively, which were capitalized as part of Real Estate on the balance sheet as the services relate to property and project management. On June 30, 2019 and December 31, 2018, the Company owed this related party $0 and $60,000, respectively.

Advance to HF Enterprises Inc.

The Company pays some operating expenses for HF Enterprise Inc., a related party under the common control of Mr. Chan. The advances are interest free with no set repayment terms. On June 30, 2019 and December 31, 2018, the balance of these advances was $20,046 and $0, respectively.

Purchase of Minority Interest of Black Oak LP

On July 23, 2018, SeD Development USA, LLC, a wholly owned subsidiary of the Company, entered into two Partnership Interest Purchase Agreements through which it purchased an aggregate of 31% of Black Oak LP for total $60,000. Regarding the potential future reimbursement proceeds, if and when Black Oak LP should receive at least $15 million in net reimbursement receivable proceeds from HC17 and/or Aqua Texas, Inc. (net of any expenses Harris County Improvement District 17 and/or Aqua Texas, Inc. may deduct), Black Oak LP shall pay Fogarty Family Trust II, one of two previous partners of Black Oak LP, an amount equal to 10% of the net reimbursement receivable proceeds received from HC17 and/or Aqua Texas, Inc. that exceeds $15 million; provided however, this obligation shall only apply to reimbursement revenue received on or before December 31, 2025. Prior to the Partnership Interest Purchase Agreements, the Company owned and controlled Black Oak LP through its 68.5% limited partnership interest and its ownership of the General Partner, 150 Black Oak GP, Inc, a 0.5% owner in Black Oak LP. As a result of the purchase, the Company, through its subsidiaries, now owns 100% of Black Oak LP.

Consulting Services

A law firm, owned by Conn Flanigan, a Director of the Company, performs legal consulting services for the Company. The Company incurred expenses of $43,357 and $64,030 for the six months ended June 30, 2019 and 2018, respectively. On June 30, 2019 and December 31, 2018, the Company owed this related party $20,091 and $8,000, respectively.

7. STOCKHOLDERS' EQUITY

Purchase of Minority Interest of Black Oak LP

On July 23, 2018, the Company entered into two Partnership Interest Purchase Agreements through which it purchased an aggregate of 31% of Black Oak LP for $60,000 and fulfilled the agreement thereafter.

Cash Dividend Distributions

From April to June, 2019, SeD Maryland Development LLC Board approved three payment distribution plans to members and paid total $740,250 in distributions to the non-controlling shareholder.

8. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space in Texas and Maryland. The leases expire in 2019 and 2020, respectively and have monthly rental payments ranging between $2,409 and $8,205. Rent expenses were $56,852 and $59,453 for the six months ended June 30, 2019 and 2018, respectively. The Company's leases are accounted for as operating leases. Operating lease right-of-use assets and operating lease liability is included on the face of the condensed consolidated balance sheet. The Company elected the practical expedient to not recognize operating lease right-of-use assets and operating lease liabilities for lease agreements with terms less than 12 months. The Company has no leases that have not yet commenced as of June 30, 2019.

The balance of the operating lease right-of-use asset and operating lease liability as of June 30, 2019 was $123,486 and $133,135, respectively.

Supplemental Cash Flow and Other Information Related to Operating Leases as follows:

	Six Months Ended June 30, 2019
Weighted Average Remaining Operating Lease Term (in years)	1.43
Weighted Average Operating Lease Discount Rate	6.1%

The below table summarizes future payments due under these leases as of June 30, 2019.

For the Years Ended December 31:	
2019 (remainder)	$ 57,333
2020	96,924
Total	$ 144,257

Lot Sale Agreements

On February 19, 2018, SeD Maryland entered into a contract to sell the Continuing Care Retirement Community Assisted Independent Living parcel to Orchard Development Corporation. It was agreed that the purchase price for the 5.9-acre lot would be $2,900,000.00 with a $50,000 deposit. It was also agreed that Orchard Development Corporation would have the right to terminate the transaction during the feasibility study period, which would last through May 30, 2018, and receive a refund of its deposit. On April 13, 2018, Orchard Development Corporation indicated that it would not be proceeding with the purchase of the CCRC parcel. On December 31, 2018, SeD Maryland entered into the Third Amendment to the Lot Purchase Agreement for Ballenger Run with NVR. Pursuant to the Third Amendment, SeD Maryland will convert the 5.9-acre CCRC parcel to 36 lots (these will be 28 feet wide villa lots) and sell such lots to NVR. SeD Maryland received the required zoning approval to change the number of such lots from 85 to 121 in July 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include by are not limited to economic conditions generally and in the industries in which we may participate, competition within our chosen industry, including competition from much larger competitors, technological advances and failure to successfully develop business relationships.

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

	Three- Months Ended		Six-months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 5,252,585	$ 2,113,248	$ 16,571,180	$ 6,219,022
Operating Expenses	$ 4,810,829	$ 2,216,908	$ 15,751,993	$ 6,064,222
Net Income or (Loss)	$ 454,701	$ (20,233)	$ 848,814	$ 247,334

Revenue

Revenue was $5,252,585 for the three months ended June 30, 2019 as compared to $2,113,248 for the three months ended June 30, 2018. Revenue was $16,571,180 for the six months ended June 30, 2019 as compared to $6,219,022 for the six months ended June 30, 2018. This increase in revenue is attributable to the Company having an increase in property sales from the Ballenger Project and first sale of a section of Black Oak Project. Pursuant to a lot purchase agreement dated July 3, 2018, 150 CCM Black Oak Ltd sold 124 lots located in the Company's Black Oak to Houston LD, LLC for a total purchase price of $6,175,000.

We anticipate a higher revenue from sales in 2019 comparing with 2018. Builders are required to purchase minimum numbers of lots based on sales agreements we entered into with them. We recognized revenue from the sale of lots to builders. We do not build any houses ourselves at the present time.

Rental income increased from $0 in the three months ended June 30, 2018, to $4,365 in the three months ended June 30, 2019. Rental income increased from $0 in the six months ended June 30, 2018 to $8,730 in the six months ended June 30, 2019. The increase is due to the rent income from one home remaining in the El Tesoro project.

Operating Expenses

Operating Expenses increased to $4,810,829 for the three months ended June 30, 2019 from $2,216,908 for the three months ended June 30, 2018. This increase is caused by increased costs relating to increased sales, which costs of sales increased from $1,976,012 in the three months ended June 30, 2018 to $4,549,097 in the three months ended June 30, 2019. Operating expenses increased to $15,751,993 in the six months ended June 30, 2019 from $6,064,222 in the six months ended June 30, 2018. This increase was caused by increased costs relating to increased sales. The general and administrative expenses decreased from $494,702 in the six months ended June 30, 2018 to $486,745 in the six months ended June 30, 2019.

The gross margin increased from $649,502 to $1,305,932 in the six months ended June 30, 2018 and 2019. Our Ballenger project gross margin increased from $654,271 to $1,299,840 in the six months ended June 30, 2018 and 2019, due to the increase of the sales. Gross margin from Black Oak sales in January 2019 was $0 after we recognized $2,404,547 impairment of real estate in 2018 for this sale.

Net Income

In the three months ended June 30, 2019, the Company had net income of $454,701 compared to net loss of $20,233 in the three months ended June 30, 2018. In the six months ended June 30, 2019, the Company had net income $848,814 compared to a net income of $247,334 in the six months ended June 30, 2018. The profitability came from the sales of lots from our Ballenger Run project.

Liquidity and Capital Resources

Our real estate assets have decreased to $30,896,230 as of June 30, 2019 from $41,359,998 as of December 31, 2018. This decrease is a result of the sale of lots during the six months ended June 30, 2019.

Our liabilities declined from $13,733,045 at December 31, 2018 to $5,596,557 at June 30, 2019. Our total assets have decreased to $38,168,238 as of June 30, 2019 from $46,196,162 as of December 31, 2018 due to the decrease of the real estate assets.

As of June 30, 2019, we had cash of $2,492,440 compared to $715,754 as of December 31, 2018. Our Ballenger Revolver loan from Union Bank has been fully paid off. Our loan from M&T Bank is also $0 and the credit limit is $8 million as of June 30, 2019. On December 31, 2018, the revolver loan balance with Union Bank was $13,899 and credit limit was $11 million.

Currently the Black Oak project does not have any financing from third parties. The future development timeline of Black Oak is based on multiple conditions, including the amount of funds which may be raised from capital markets, the loans from third party financial institutions, and government reimbursements which may be received. The development will be step by step and expenses will be contingent on the amount of funding we will receive.

Summary of Cash Flows

A summary of cash flows from operating, investing and financing activities for the six months ended June 30, 2019 and 2018 are as follows:

		2019	2018
Net Cash Provided by Operating Activities	$	8,794,047	2,380,564
Net Cash Used In Financing Activities	$	(6,499,733)	(2,468,302)
Net Increase (Decrease) in Cash and Restricted Cash	$	2,294,314	(87,738)
Cash and Restricted Cash at beginning of the year	$	4,645,164	3,014,903
Cash and Restricted Cash at end of the period	$	6,939,478	2,927,165

Cash Flows from Operating Activities

Cash flows from operating activities include costs related to assets ultimately planned to be sold, including land development and property purchased for resale. In the six months ended June 30, 2019, cash provided by operating activities was $8,794,047 compared with cash $2,380,564 provided in the six months end June 30, 2018. The sales of the Ballenger and Black Oak lots in the six months of 2019 are the main reason of increase of the cash provided in the operating activities. With the completion of the part of phase one of Black Oak project, development speed was adjusted. The Company's development funding conditions and development costs went down as well. Ballenger development spending also went down in the six months of 2019 compared with that period in 2018 because of the different development stages.

Cash Flows from Financing Activities

In the six months ended June 30, 2019, the company fully repaid the Union Bank loan in the amount of $13,899 and approximately $5.7 million to a related party loan. In the same period the Company also borrowed and fully repaid approximately $1.35 million of the M&T revolver loan. In the six months ended June 30, 2018, the Company repaid approximately $5.2 million to the Union Bank loan and at same time borrowed approximately $2.5 million from the Union Bank loan for land development.

Seasonality

The real estate business is subject to seasonal shifts in costs as certain work in more likely to perform at certain times of year. This may impact the expenses of SeD Home from time to time. In addition, should we commence building homes, we are likely to experience periodic spikes in sales as we commence the sales process at a particular location.

Off-Balance Sheet Arrangements

As of June 30, 2019, we did not have any off-balance sheet arrangements, as defined under applicable SEC rules.

Critical Accounting Policies and Estimates

We have established various accounting policies under US GAAP. Some of these policies involve judgments, assumptions and estimates by management. We base these estimates on historical experience, available current market information and on various other assumptions that management believes are reasonable under the circumstances. Additionally, we evaluate the results of these estimates on an ongoing basis. We are subject to uncertainties such as the impact of future events, economic, environmental and political factors and changes in our business environment. Therefore, actual results could differ from these estimates. The accounting policies that we deem most critical as follows:

Revenue Recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The Company adopted this new standard on January 1, 2018 under the modified retrospective method. The adoption did not have a material effect on our financial statements.

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods or services. The provisions of ASC 606 include a five-step process by which we determine revenue recognition, depicting the transfer of goods or services to customers in amounts reflecting the payment to which we expect to be entitled in exchange for those goods or services. ASC 606 requires us to apply the following steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, we satisfy the performance obligation. A detailed breakdown of the five-step process for the revenue recognition of our Ballenger and Black Oak projects, which were essentially all of the revenue of the Company in 2018 and 2017, is as follows:

- Identify the contract with a customer.

The Company has signed agreements with the builders for developing the raw land to ready to build lots. The contract has agreed upon prices, timelines, and specifications for what is to be provided.

- Identify the performance obligations in the contract.

Performance obligations of the company include delivering developed lots to the customer, which are required to meet certain specifications that are outlined in the contract. The customer inspects all lots prior to accepting title to ensure all specifications are met.

- Determine the transaction price.

The transaction price is fixed and specified in the contract. Any subsequent change orders or price changes are required to be approved by both parties.

- Allocate the transaction price to performance obligations in the contract.

Each lot or a group of lots is considered to be a separate performance obligation, for which the specified price in the contract is allocated to.

- Recognize revenue when (or as) the entity satisfies a performance obligation.

The builders do the inspections to make sure all conditions/requirements are met before taking title of lots. The Company recognizes revenue when title is transferred. The Company does not have further performance obligations once title is transferred.

Contract Assets and Contract Liabilities:

Based on our contracts, we invoice customers once our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts do not give rise to contract assets or liabilities under ASC 606. Accounts receivable are recorded when the right to consideration becomes unconditional. We disclose receivables from contracts with customers separately in the statement of financial position.

Cost of Sales:

Land acquisition costs are allocated to each lot based on the area method, the size of the lot comparing to the total size of all lots in the project. Development costs and capitalized interest are allocated to lots sold based on the total expected development and interest costs of the completed project and allocating a percentage of those costs based on the selling price of the sold lot compared to the expected sales values of all lots in the project.

If allocation of development costs and capitalized interest based on the projection and relative expected sales value is impracticable, those costs could also be allocated based on area method, the size of the lot comparing to the total size of all lots in the project.

Real Estate Assets

Real estate assets are recorded at cost, except when real estate assets are acquired that meet the definition of a business combination in accordance with Financial Accounting Standards Board ("FASB") ASC 805, "Business Combinations," which acquired assets are recorded at fair value. Interest, property taxes, insurance and other incremental costs (including salaries) directly related to a project are capitalized during the construction period of major facilities and land improvements. The capitalization period begins when activities to develop the parcel commence and ends when the asset constructed is completed. The capitalized costs are recorded as part of the asset to which they relate and are reduced when lots are sold.

The Company capitalized interest from related party borrowings of $79,662 and $226,563 for the six months ended June 30, 2019 and 2018, respectively. The Company capitalized interest from the third-party borrowings of $3,822 and $202,219 for the six months ended June 30, 2019 and 2018, respectively.

A property is classified as "held for sale" when all of the following criteria for a plan of sale have been met:

(1) management, having the authority to approve the action, commits to a plan to sell the property;

(2) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary;

(3) an active program to locate a buyer and other actions required to complete the plan to sell, have been initiated;

(4) the sale of the property is probable and is expected to be completed within one year or the property is under a contract to be sold;

(5) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and

(6) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When all of these criteria have been met, the property is classified as "held for sale". "Real estate held for sale" only includes the El Tesoro project.

In addition to our annual assessment of potential triggering events in accordance with ASC 360, the Company applies a fair value based impairment test to the net book value assets on an annual basis and on an interim basis if certain events or circumstances indicate that an impairment loss may have occurred.

On October 12, 2018, 150 CCM Black Oak, Ltd. entered into an Amended and Restated Purchase and Sale Agreement for 124 lots. Pursuant to the Amended and Restated Purchase and Sale Agreement, the purchase price remained $6,175,000, 150 CCM Black Oak, Ltd. was required to meet certain closing conditions and the timing for the closing was extended. On January 18, 2019, the sale of 124 lots in Magnolia, Texas was completed. After allocating costs of revenue to this sale, we had approximately $2.4 million loss from this sale and recognized approximately $2.4 million as the impairment of real estate in 2018.

During the six months ended June 30, 2019, there was no further impairment recognized for any of the projects.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a "smaller reporting company" as defined by Item 10(f)(1) of Regulation S-K, the Company is not required to provide the information required by this Item.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officers and Chief Financial Officers, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our management, including our Chief Executive Officers and Chief Financial Officers concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SECs") rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officers and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in the Company's Internal Controls Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) that occurred during the quarterly period ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceeding

The registrant is not a party to, and its property is not the subject of, any material pending legal proceedings.

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following documents are filed as a part of this report:

31.1a	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.1b	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2a	Certification of Co-Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2b	Certification of Co-Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officers and Chief Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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, thereunto duly authorized.

SED INTELLIGENT HOME INC.

August 14, 2019 By: /s/ Fai H. Chan

Fai H. Chan, Co-Chief Executive Officer, Director
(Principal Executive Officer)

August 14, 2019 By: /s/ Moe T. Chan

Moe T. Chan, Co-Chief Executive Officer, Director
(Principal Executive Officer)

August 14, 2019 By: /s/ Rongguo (Ronald) Wei

Rongguo (Ronald) Wei, Co-Chief Financial Officer
(Principal Financial and Accounting Officer)

August 14, 2019 By: /s/ Alan W. L. Lui

Alan W. L. Lui, Co-Chief Financial Officer
(Principal Financial and Accounting Officer)