

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

☐ 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: 001-37513

GD CULTURE GROUP LIMITED
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| <u>Nevada</u> (State or other jurisdiction of incorporation or organization) | <u>47-3709051</u> (I.R.S. Employer Identification Number) |
| <u>22F - 810 Seventh Avenue, New York, NY 10019</u> (Address of principal executive offices) | <u>10019</u> (Zip Code) |

Registrant's telephone number, including area code: **+1-347- 2590292**

Not applicable
(Former name or former address, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------------------|-------------------|---|
| Common Stock, par value \$0.0001 | GDC | Nasdaq Capital Market |

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, 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 | <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 ☒

As of May 20, 2024, there were 7,941,261 shares of the Company's common stock issued and outstanding.

TABLE OF CONTENTS

| | Page |
|---|------|
| PART I. FINANCIAL INFORMATION | 1 |
| ITEM 1. FINANCIAL STATEMENTS (UNAUDITED) | 1 |
| ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 32 |
| ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 38 |
| ITEM 4. CONTROLS AND PROCEDURES | 39 |
| PART II. OTHER INFORMATION | 40 |
| ITEM 1. LEGAL PROCEEDINGS | 40 |

| | | |
|----------|---|----|
| ITEM 1A. | RISK FACTORS | 40 |
| ITEM 2. | UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS | 40 |
| ITEM 3. | DEFAULTS UPON SENIOR SECURITIES | 40 |
| ITEM 4. | MINE SAFETY DISCLOSURES | 40 |
| ITEM 5. | OTHER INFORMATION | 40 |
| ITEM 6. | EXHIBITS | 41 |

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that may be deemed to be “forward-looking statements” within the meaning of the federal securities laws. These statements relate to anticipated future events, future results of operations and or future financial performance. In some cases, you can identify forward-looking statements by their use of terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “ought to,” “plan,” “possible,” “potentially,” “predicts,” “project,” “should,” “will,” “would,” negatives of such terms or other similar terms. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The forward-looking statements in this Quarterly Report on Form 10-Q include, without limitation, statements relating to:

- our goals and strategies;
- our future business development, results of operations and financial condition;
- our estimates regarding expenses, future revenues, capital requirements and our need for additional financing;
- our estimates regarding the market opportunity for our services;
- the impact of government laws and regulations;
- our ability to recruit and retain qualified personnel;
- our failure to comply with regulatory guidelines;
- uncertainty in industry demand;
- general economic conditions and market conditions in the financial services industry;
- future sales of large blocks of our securities, which may adversely impact our share price; and
- depth of the trading market in our securities.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties, including those described in Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and elsewhere in this Quarterly Report on Form 10-Q.

You should not unduly rely on any forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q, to conform these statements to actual results or to changes in our expectations.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to unaudited interim condensed consolidated financial statements

| | <u>Page</u> |
|--|-------------|
| Unaudited Interim Condensed Consolidated Financial Statements: | |
| Unaudited Interim Condensed Consolidated Balance Sheet as of March 31, 2024 and Condensed Consolidated Balance Sheet as of December 31, 2023 | 2 |
| Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Loss For the three months ended March 31, 2024 and 2023 | 3 |
| Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity For the three months ended March 31, 2024 and 2023 | 4 |
| Unaudited Interim Condensed Consolidated Statements of Cash Flows For the three months ended March 31, 2024 and 2023 | 6 |
| Notes to Unaudited Interim Condensed Consolidated Financial Statements | 7 |

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2024
AND CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2023

| | March 31, 2024 (Unaudited) | December 31, 2023 |
|---|----------------------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 486,201 | \$ 5,175,518 |
| Loan receivable | 1,919,781 | - |
| Other receivables, net | 9,195 | 9,459 |
| Convertible notes receivable | 2,656,877 | 2,602,027 |
| Prepaid and other current assets | 1,053,329 | 1,290,890 |
| Total current assets | <u>6,125,383</u> | <u>9,077,894</u> |
| EQUIPMENT, NET | 11,328 | 12,511 |
| RIGHT-OF-USE ASSETS, NET | 1,566,003 | 1,561,058 |
| OTHER ASSETS | | |
| Intangible assets, net | 3,119,244 | 3,307,949 |
| Other assets | 250,740 | 250,740 |
| Total other assets | <u>3,369,984</u> | <u>3,558,689</u> |
| Total assets | <u>\$ 11,072,698</u> | <u>\$ 14,210,152</u> |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Other payables and accrued liabilities | \$ 193,422 | \$ 23,338 |
| Other payables - related parties | 40,833 | 20,833 |
| Lease liabilities - current | 308,419 | 358,998 |
| Total current liabilities | <u>542,674</u> | <u>403,169</u> |
| OTHER LIABILITIES | | |
| Lease liabilities – non-current | 1,326,946 | 1,317,678 |
| Deferred tax liabilities | 328,861 | 327,822 |
| Total other liabilities | <u>1,655,807</u> | <u>1,645,500</u> |
| Total liabilities | <u>2,198,481</u> | <u>2,048,669</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, no shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively | - | - |
| Common stock, \$0.0001 par value, 200,000,000 shares authorized, 7,941,261 and 5,453,416 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively | 794 | 545 |
| Additional paid-in capital | 81,511,298 | 77,530,221 |
| Accumulated deficit | (73,336,853) | (69,358,225) |
| Accumulated other comprehensive income | 309,046 | 175,306 |
| Total GD Culture Group Limited shareholders' equity | <u>8,484,285</u> | <u>8,347,847</u> |
| Noncontrolling interest | 389,932 | 3,813,636 |
| Total shareholders' equity | <u>8,874,217</u> | <u>12,161,483</u> |
| Total liabilities and shareholders' equity | <u>\$ 11,072,698</u> | <u>\$ 14,210,152</u> |

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

| | For the three months ended March 31, | |
|-------------------------------------|---|----------------|
| | 2024 | 2023 |
| OPERATING EXPENSES | | |
| Selling expenses | \$ 2,191,667 | \$ - |
| General and administrative expenses | 1,769,280 | 4,617 |
| Research and development expenses | 217,500 | - |
| TOTAL OPERATING EXPENSES | <u>4,178,447</u> | <u>4,617</u> |
| LOSS FROM OPERATIONS | <u>(4,178,447)</u> | <u>(4,617)</u> |

| | | |
|--|----------------|-------------|
| OTHER INCOME (EXPENSE) | | |
| Interest income | 21,946 | - |
| TOTAL OTHER INCOME, NET | 21,946 | - |
| LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS | (4,156,501) | (4,617) |
| PROVISION FOR INCOME TAXES | 1,038 | - |
| LOSS FROM CONTINUING OPERATIONS | (4,157,539) | (4,617) |
| Net loss from continuing operations attributable to noncontrolling interest | (178,911) | - |
| Net loss from continuing operations attributable to shareholders of common stock | (3,978,628) | (4,617) |
| Discontinued operations: | | |
| Loss from discontinued operations, net of taxes | - | (16,692) |
| NET LOSS | \$ (4,157,539) | \$ (21,309) |
| Net loss attributable to noncontrolling interest | (178,911) | - |
| Net loss attributable to shareholders of common stock | (3,978,628) | (21,309) |
| Other comprehensive gain or loss | | |
| - Foreign currency translation adjustment | (15,109) | 10,188 |
| - Unrealized gain on available-for-sale investments, net of tax | 54,849 | - |
| OTHER COMPREHENSIVE GAIN, net of tax | 39,740 | 10,188 |
| COMPREHENSIVE LOSS, net of tax | \$ (4,117,799) | \$ (11,121) |
| Comprehensive loss attributable to noncontrolling interest | (272,911) | - |
| Comprehensive loss attributable to shareholders of common stock | (3,844,888) | (11,121) |
| WEIGHTED AVERAGE NUMBER OF COMMON STOCKS | | |
| Basic and diluted | 7,435,069 | 1,810,420 |
| Loss per share from continuing operations | | |
| Basic and diluted | \$ (0.56) | \$ (0.00) |
| Loss per share from discontinued operations | | |
| Basic and diluted | \$ (0.00) | \$ (0.01) |
| Loss per share available to common shareholders | | |
| Basic and diluted | \$ (0.56) | \$ (0.01) |

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 2024

| | Attributable to GD Culture Group Limited Shareholders | | | | | | | | | |
|---|---|--------|--------------|--------|----------------------------------|------------------------|---|---|--------------------------------|----------------------------------|
| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income | Total GD Culture Group Limited Shareholders' Equity | Non controlling Interest | Total Shareholders' Equity |
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance, January 1, 2024 | - | \$ - | 5,453,416 | \$ 545 | \$77,530,221 | \$ (69,358,225) | \$ 175,306 | \$ 8,347,847 | \$ 3,813,636 | \$ 12,161,483 |
| Net loss | - | - | - | - | - | (3,978,628) | - | (3,978,628) | (178,911) | (4,157,539) |
| Issuance of common stock for Cash | - | - | 810,277 | 81 | 829,798 | - | - | 829,879 | - | 829,879 |
| Issuance of common stock for acquisition of 13.33% noncontrolling interest of Shanghai Xianzhui | - | - | 400,000 | 40 | 3,150,753 | - | - | 3,150,793 | (3,150,793) | - |
| Exercise of pre- funded warrants | - | - | 567,691 | 57 | 597 | - | - | 654 | - | 654 |
| Exercise of November 2023 Registered Warrants | - | - | 709,877 | 71 | (71) | - | - | - | - | - |
| Foreign currency translation | - | - | - | - | - | - | 78,891 | 78,891 | (94,000) | (15,109) |
| Fair value changes of convertible notes receivable | - | - | - | - | - | - | 54,849 | 54,849 | - | 54,849 |
| Balance, March 31, 2024 (unaudited) | - | \$ - | 7,941,261 | \$ 794 | \$81,511,298 | \$ (73,336,853) | \$ 309,046 | \$ 8,484,285 | \$ 389,932 | \$ 8,874,217 |

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 2023

| | <u>Preferred Stock</u> | | <u>Common Stock</u> | | <u>Additional</u> | <u>Accumulated Deficit</u> | | <u>Accumulated</u> | <u>Total</u> |
|--------------------------------------|------------------------|---------------|---------------------|---------------|-------------------|----------------------------|---------------------|--------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Paid-in</u> | <u>Statutory</u> | <u>Unrestricted</u> | <u>Other</u> | <u>Shareholders'</u> |
| | | | | | <u>Capital</u> | <u>Reserves</u> | | <u>Income</u> | <u>Equity</u> |
| Balance, January 1, 2023 | - | - | 1,844,877 | \$ 184 | \$60,124,087 | \$ 4,467 | \$(56,841,074) | \$ 179,460 | \$ 3,467,124 |
| Net loss | - | - | - | - | - | - | (21,309) | - | (21,309) |
| The cancellation of the common stock | - | - | (133,333) | (13) | (947,986) | - | - | - | (947,999) |
| Foreign currency translation | - | - | - | - | - | - | - | 10,188 | 10,188 |
| Balance, March 31, 2023 (unaudited) | - | \$ - | 1,711,544 | \$ 171 | \$59,176,101 | \$ 4,467 | \$(56,862,383) | \$ 189,648 | \$ 2,508,004 |

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | <u>For the three months ended</u> | |
|---|-----------------------------------|-------------|
| | <u>March 31,</u> | |
| | <u>2024</u> | <u>2023</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Loss | \$ (4,157,539) | \$ (21,309) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation of equipment | 1,183 | - |
| Amortization of intangible assets | 182,373 | - |
| Lease expenses of right-of-use assets | 95,057 | - |
| Interest income earned from loan to a third party | (19,781) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | - | 61,968 |
| Other receivables | 264 | (15,720) |
| Prepaid and other current assets | 230,657 | (187,968) |
| Accounts payable | - | (43,845) |
| Other payables and accrued liabilities | 170,150 | (168,914) |
| Lease liabilities | (141,313) | - |
| Taxes payable | - | (4,846) |
| Other payables - related party | 20,000 | - |
| Deferred tax liability | 1,039 | - |
| Net cash used in operating activities | (3,617,910) | (380,634) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Loan to a third party | (1,900,000) | - |
| Net cash used in investing activities | (1,900,000) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock | 829,879 | - |
| Proceeds from exercise of pre-funded warrants | 654 | - |
| Net cash provided by financing activities | 830,533 | - |
| EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS | (1,940) | 1,695 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (4,689,317) | (378,939) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 5,175,518 | 389,108 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 486,201 | \$ 10,169 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for income tax | \$ - | \$ - |
| Cash paid for interest | \$ - | \$ - |
| NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES | | |

| | | |
|---|--------------|------------|
| The cancellation of the common stock | \$ - | \$ 948,000 |
| Initial recognition of right-of-use assets and lease liability | \$ 100,002 | \$ - |
| Issuance of common stock for purchase of noncontrolling interest in SH Xianzhui | \$ 3,150,793 | \$ - |
| Exercise of November 2023 Registered Warrants | \$ 71 | \$ - |

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

GD CULTURE GROUP LIMITED AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of business and organization

GD Culture Group Limited (“GDC” or the “Company”), formerly known as Code Chain New Continent Limited, TMSR Holding Company Limited and JM Global Holding Company, is a Nevada corporation and a holding company. The Company currently conducts its operations on virtual content production (the “Virtual Content Production”) through the Company and two subsidiaries, AI Catalysis corp. (“AI Catalysis”) and Shanghai Xianzhui Technology Co., Ltd. (“SH Xianzhui”). The Company focuses its business mainly on: 1) AI-driven digital human creation and customization; 2) Live streaming and e-commerce, and, 3) Live Streaming Interactive Game. The Company has relentlessly been focusing on serving its customers and creating value for them through the continual innovation and optimization of its products and services. Currently, the Company's subsidiaries, Citi Profit Investment Holding Limited (“Citi Profit BVI”), Highlights Culture Holding Co., Limited (“Highlight HK”), Shanghai Highlight Entertainment Co., Ltd. (“Highlight WFOE”) are holding companies with no material operations.

SH Xianzhui was incorporated by Highlight WFOE and other two shareholders on August 10, 2023. SH Xianzhui is principally engaged in the provision of social media marketing agency service. Highlight WFOE owns 73.3333% of the total equity interest of SH Xianzhui. On October 27, 2023, the Company entered into an equity purchase agreement with Highlight WFOE and Beijing Hehe Property Management Co., Ltd. (“Beijing Hehe”), which was amended on November 10, 2023 (such equity purchase agreement, as amended, the “Agreement” for purpose of this section “Investment in JV”), pursuant to which the Highlight WFOE agreed to purchase 13.3333% equity interest in SH Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at \$ 2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. On January 11, 2024, the Company issued the 400,000 shares of its common stock, at the price of \$ 2.5 per share, to Beijing Hehe and the transaction was completed. Up to the date of this unaudited interim condensed consolidated financial statements were issued, the Company owns 73.3333% of the total equity interest of SH Xianzhui.

AI Catalysis is a Nevada corporation, incorporated on May 18, 2023. AI Catalysis is expected to bridge the realms of the internet, media, and artificial intelligence (“AI”) technologies. Positioned at the crossroads of traditional and streaming media, AI Catalysis plans to elevate the experience of media with AI-based interactive and smart content, aiming to transform the whole media landscape. At present, AI Catalysis primarily focused on the application of AI digital human technology with the sectors of e-commerce and entertainment to improve the interaction experiences online. AI Catalysis strives to deliver stable interactive livestreaming products to AI Catalysis' users. AI Catalysis foresees future expansion to a variety of business sectors with AI applications in different scenarios. AI Catalysis plans to enter into the livestreaming market with a focus on e-commerce and livestreaming interactive game.

Prior to June 26, 2023, the Company had a subsidiary TMSR HK, which owns 100% equity interest in Makesi WFOE. Makesi WFOE had a series of contractual arrangement with Shanghai Yuanma Food and Beverage Management Co., Ltd. (“Yuanma”) that established a variable interest entity (the “VIE”) structure. For accounting purposes, Makesi WFOE was the primary beneficiary of Yuanma. Accordingly, under U.S. GAAP, GDC treated Yuanma as the consolidated affiliated entity and has consolidated Yuanma's financial results in GDC's financial statements prior to June 26, 2023. On June 26, 2023, GDC entered into a share purchase agreement with a buyer unaffiliated with the Company. Pursuant to the agreement, the Company agreed to sell, and the buyer agreed to purchase all the issued and outstanding equity interest in TMSR HK. The sale of TMSR HK did not have any material impact on the Company's unaudited interim condensed consolidated financial statements.

Prior to September 26, 2023, the Company also conducted business through Shanghai Highlight Media Co., Ltd. (“Highlight Media”). Highlight WFOE had a series of contractual arrangement with Highlight Media. For accounting purposes, Highlight WFOE was the primary beneficiary of Highlight Media. Accordingly, under U.S. GAAP, GDC treated Highlight Media as the consolidated affiliated entity and has consolidated Highlight Media's financial results in GDC's financial statements prior to September 26, 2023. Highlight Media was an integrated marketing service agency, focusing on enterprise brand management, crisis public relations, intelligent public opinion monitoring, media PR, financial and economic we-media operation, digital face application, large-scale exhibition services and other businesses. On September 26, 2023, Highlight WFOE entered into a termination agreement with Highlight Media and the shareholders of Highlight Media to terminate the VIE Agreements and sold the interest in the VIE Agreements. As a result of such termination, the Company no longer treats Highlight Media as a consolidated affiliated entity or consolidates the financial results and balance sheet of Highlight Media in the Company's unaudited interim condensed consolidated financial statements.

The accompanying unaudited interim condensed consolidated financial statements reflect the activities of GDC and each of the following entities:

| Name | Background | Ownership |
|-----------------|---|-------------------------------|
| Citi Profit BVI | <ul style="list-style-type: none"> • A British Virgin Island company Incorporated in April 2019 | 100% owned by the Company |
| TMSR HK | <ul style="list-style-type: none"> • A Hong Kong company • Incorporated in April 2019 • Disposed on June 26, 2023 | 100% owned by Citi Profit BVI |
| Highlight HK | <ul style="list-style-type: none"> • A Hong Kong company • Incorporated in November 2022 | 100% owned by Citi Profit BVI |
| Makesi WFOE | <ul style="list-style-type: none"> • A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE) • Incorporated in December 2020 • Disposed on June 26, 2023 | 100% owned by TMSR HK |
| Highlight WFOE | <ul style="list-style-type: none"> • A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE) • Incorporated in January 2023 | 100% owned by Highlight HK |

| | | |
|-----------------|---|----------------------------------|
| Yuanma | <ul style="list-style-type: none"> • A PRC limited liability company • Acquired on June 21, 2022 • Disposed on June 26, 2023 | VIE of Makesi WFOE |
| Highlight Media | <ul style="list-style-type: none"> • A PRC limited liability company • Acquired on September 16, 2022 • Disposed on September 26, 2023 | VIE of Highlight WFOE |
| AI Catalysis | <ul style="list-style-type: none"> • A Nevada company • Incorporated in May 2023 | 100% owned by the Company |
| SH Xianzhui | <ul style="list-style-type: none"> • A PRC limited liability company • Incorporated in August 2023 | 73.3333% owned by Highlight WFOE |

Contractual Arrangements

Yuanma and Highlight Media were controlled through contractual agreements in lieu of direct equity ownership by the Company or any of its subsidiaries. Such contractual arrangements consist of a series of five agreements, consulting services agreement, equity pledge agreement, call option agreement, voting rights proxy agreement, and operating agreement (collectively the "Contractual Arrangements").

Material terms of each of the VIE agreements with Yuanma are described below. The Company disposed TMSR HK, Makesi WFOE and Yuanma on June 26, 2023.

Technical Consultation and Services Agreement.

Pursuant to the technical consultation and services agreement between Makesi WFOE and Yuanma dated June 21, 2022, Makesi WFOE has the exclusive right to provide consultation services to Yuanma relating to Yuanma's business, including but not limited to business consultation services, human resources development, and business development. Makesi WFOE exclusively owns any intellectual property rights arising from the performance of this agreement. Makesi WFOE has the right to determine the service fees based on Yuanma's actual operation on a quarterly basis. This agreement will be effective for 20 years and can be extended by Makesi WFOE unilaterally by prior written notice to the other parties. Makesi WFOE may terminate this agreement at any time by giving a 30 days' prior written notice to Yuanma. If any party breaches the agreement and fails to cure within 30 days from the written notice from the non-breach party, the non-breach party may (i) terminate the agreement and request the breaching party to compensate the non-breaching party's loss or (ii) request special performance by the breaching party and the breaching party to compensate the non-breaching party's loss.

Equity Pledge Agreement.

Under the equity pledge agreement among Makesi WFOE, Yuanma and Yuanma Shareholders dated June 21, 2022, Yuanma Shareholders pledged all of their equity interests in Yuanma to Makesi WFOE to guarantee Yuanma's performance of relevant obligations and indebtedness under the technical consultation and services agreement. In addition, Yuanma Shareholders will complete the registration of the equity pledge under the agreement with the competent local authority. If Yuanma breaches its obligation under the technical consultation and services agreement, Makesi WFOE, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge will remain effective until all the guaranteed obligations are performed or the Yuanma Shareholders cease to be shareholders of Yuanma.

Equity Option Agreement.

Under the equity option agreement among Makesi WFOE, Yuanma and Yuanma Shareholders dated June 21, 2022, each of Yuanma Shareholders irrevocably granted to Makesi WFOE or its designee an option to purchase at any time, to the extent permitted under PRC law, all or a portion of his equity interests in Yuanma. Also, Makesi WFOE or its designee has the right to acquire any and all of its assets of Yuanma. Without Makesi WFOE's prior written consent, Yuanma's shareholders cannot transfer their equity interests in Yuanma and Yuanma cannot transfer its assets. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time of the exercise of the option. This pledge will remain effective until all options have been exercised.

Voting Rights Proxy and Financial Support Agreement.

Under the voting rights proxy and financial support agreement among Makesi WFOE, Yuanma and Yuanma Shareholders dated June 21, 2022, each Yuanma Shareholder irrevocably appointed Makesi WFOE as its attorney-in-fact to exercise on such shareholder's behalf any and all rights that such shareholder has in respect of his equity interests in Yuanma, including but not limited to the power to vote on its behalf on all matters of Yuanma requiring shareholder approval in accordance with the articles of association of Yuanma. The proxy agreement is for a term of 20 years and can be extended by Makesi WFOE unilaterally by prior written notice to the other parties.

On June 26, 2023, the Company sold all the issued and outstanding equity interest in TMSR HK.

Material terms of each of the VIE agreements with Highlight Media are described below. The VIE agreements with Highlight Media were terminated and the Company disposed Highlight Media as of September 26, 2023.

Technical Consultation and Services Agreement.

Pursuant to the technical consultation and services agreement between Highlight Media and Makesi WFOE dated September 16, 2022, Makesi WFOE has the exclusive right to provide consultation services to Highlight Media relating to Highlight Media's business, including but not limited to business consultation services, human resources development, and business development. Makesi WFOE exclusively owns any intellectual property rights arising from the performance of this agreement. Makesi WFOE has the right to determine the service fees based on Highlight Media's actual operation on a quarterly basis. This agreement will be effective as long as Highlight Media exists. Makesi WFOE may terminate this agreement at any time by giving a 30 days' prior written notice to Highlight Media.

Equity Pledge Agreement.

Under the equity pledge agreement among Makesi WFOE, Highlight Media and the shareholders of Highlight Media dated September 16, 2022, the

shareholders of Highlight Media pledged all of their equity interests in Highlight Media to Makesi WFOE to guarantee Highlight Media's performance of relevant obligations and indebtedness under the technical consultation and services agreement. In addition, the shareholders of Highlight Media will complete the registration of the equity pledge under the agreement with the competent local authority. If Highlight Media breaches its obligation under the technical consultation and services agreement, Makesi WFOE, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge will remain effective until all the guaranteed obligations are performed or the shareholders of Highlight Media cease to be shareholders of Highlight Media.

Equity Option Agreement.

Under the equity option agreement among Makesi WFOE, Highlight Media and the shareholders of Highlight Media dated September 16, 2022, each of the shareholders of Highlight Media irrevocably granted to Makesi WFOE or its designee an option to purchase at any time, to the extent permitted under PRC law, all or a portion of his equity interests in Highlight Media. Also, Makesi WFOE or its designee has the right to acquire any and all of its assets of Highlight Media. Without Makesi WFOE's prior written consent, Highlight Media's shareholders cannot transfer their equity interests in Highlight Media and Highlight Media cannot transfer its assets. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time of the exercise of the option. This pledge will remain effective until all options have been exercised.

Voting Rights Proxy and Financial Support Agreement.

Under the voting rights proxy and financial support agreement among Makesi WFOE, Highlight Media and the shareholders of Highlight Media dated September 16, 2022, each Highlight Media Shareholder irrevocably appointed Makesi WFOE as its attorney-in-fact to exercise on such shareholder's behalf any and all rights that such shareholder has in respect of his equity interests in Highlight Media, including but not limited to the power to vote on its behalf on all matters of Highlight Media requiring shareholder approval in accordance with the articles of association of Highlight Media. The proxy agreement is for a term of 20 years and can be extended by Makesi WFOE unilaterally by prior written notice to the other parties.

On February 27, 2023, Highlight WFOE entered into a series of assignment agreements with Makesi WFOE, Highlight Media and Highlight Shareholders, pursuant to which Makesi WFOE assign all its rights and obligations under the VIE agreements to Highlight WFOE. The VIE agreements and the assignment agreements grant Highlight WFOE with the power, rights and obligations equivalent in all material respects to those it would possess as the sole equity holder of Highlight Media, including absolute rights to control the management, operations, assets, property and revenue of Highlight Media. The assignment does not have any impact on Company's unaudited interim condensed consolidated financial statements.

On September 26, 2023, Highlight WFOE terminated the VIE agreements with Highlight Media and the shareholders of Highlight Media.

As of the date of this report, the Company primary operations are focused on the live streaming market with focus on e-commerce and live streaming interactive game in the United States through its subsidiaries AI Catalysis and SH Xianzhui. All Highlight Media enterprise brand management service have been disposed.

Note 2 – Summary of significant accounting policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are of a normal recurring nature and are necessary to fairly present the financial statements for the interim periods. The unaudited interim condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S.GAAP") and have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Results for the interim periods are not necessarily indicative of results to be expected for the full year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on April 2, 2024.

Principles of Consolidation

The unaudited interim condensed consolidated financial statements of the Company include the accounts of GDC and its wholly owned subsidiaries and VIEs. All intercompany transactions and balances are eliminated upon consolidation.

Use of Estimates and Assumptions

The preparation of unaudited interim 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 disclosures of contingent assets and liabilities as of the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company's unaudited interim condensed consolidated financial statements include the useful lives of intangible assets and equipment, impairment of long-lived assets, collectability of receivables, fair value of convertible notes, discount rate used to measure present value of lease liabilities and valuation allowance for deferred tax assets. Actual results could differ from these estimates.

Foreign Currency Translation and Transactions

The reporting currency of the Company is the U.S. dollar. The PRC subsidiaries of the Company conduct their businesses in the local currency, Renminbi (RMB), as its functional currency. Assets and liabilities are translated at the unified exchange rate as quoted set forth in the H.10 statistical release of the Federal Reserve Board at the end of the period. The statements of operations accounts are translated at the average translation rates and the equity accounts are translated at historical rates. Translation adjustments resulting from this process are included in accumulated other comprehensive income. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Translation adjustments included in accumulated other comprehensive income amounted to \$ 213,006 and \$73,279 as of March 31, 2024 and December 31, 2023, respectively. The unaudited interim condensed consolidated balance sheets amounts, with the exception of shareholders' equity at March 31, 2024 and December 31, 2023 were translated at 7.22 RMB and 7.10 RMB to \$1.00, respectively. The shareholders' equity accounts were stated at their historical rate. The average translation rates applied to unaudited interim condensed consolidated statements of operations accounts for the three months ended March 31, 2024 and for the year ended December 31, 2023 were 7.19 RMB and 7.08 RMB to \$1.00, respectively. Unaudited interim condensed consolidated statements of cash flows are also translated at average translation rates for the periods, therefore, amounts reported on the unaudited interim condensed consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the unaudited interim condensed consolidated balance sheets.

The PRC government imposes significant exchange restrictions on fund transfers out of the PRC that are not related to business operations. These

restrictions have not had a material impact on the Company because it has not engaged in any significant transactions that are subject to the restrictions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits placed with commercial banks or other financial institutions and highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase of three months or less. All cash and cash equivalents are unrestricted as to withdrawal and use.

Loan Receivable

Loan receivable is the amounts lent to a third party with the interest rate of 5% per annual. Since the loan will be due within one year, the Company classified the loan as current assets under the loan receivable account on the unaudited interim condensed consolidated balance sheet. The interest accrued during the reporting period was recorded as interest income on the unaudited interim condensed consolidated statements of operations.

Prepaid and other current assets

Prepaid and other current assets are advances paid to outside vendors for services purchases. The Company has legally binding contracts with its vendors, which require any outstanding prepayments to be returned to the Company when the contract ends.

Convertible Notes Receivable

The Company evaluated the terms of the DigiTrax Convertible Notes and the Liquid Convertible Notes (as defined in Note 12) according to ASC 320 "Investments — Debt Securities" and concluded that the convertible notes should be classified as an available-for-sale security and measured at fair value. To evaluate the fair value of the available-for-sale security, the Company used the Binominal Tree Pricing Model. The fair value changes of the convertible notes receivable were recorded as other comprehensive income.

Equipment

Equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method after consideration of the estimated useful lives of the assets and estimated residual value. The estimated useful lives and residual value are as follows:

| | Useful Life | Estimated Residual Value |
|---------------------------------|--------------------|---|
| Office equipment and furnishing | 5 years | 5% |

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of operations and comprehensive loss. Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized. The Company also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

Intangible Assets

Intangible assets represent software that are stated at cost, less accumulated amortization. Research and development costs associated with internally developed patents are expensed when incurred. Amortization expense is recognized on the straight-line basis over the estimated useful lives of the assets. The software has finite useful lives and is amortized using a straight-line method that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed. The Company amortizes the cost of software, over their useful life using the straight-line method. The Company also re-evaluates the periods of amortization to determine whether subsequent events and circumstances revised estimates of useful lives. The estimated useful life is as follows:

| | Useful Life |
|----------|--------------------|
| Software | 5 years |

Lease

The Company determines if an arrangement is a lease at inception. Leases that transfer substantially all of the benefits and risks incidental to the ownership of assets are accounted for as finance leases as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. The Company has no significant finance leases.

The Company recognizes lease liabilities and corresponding right-of-use assets on the balance sheet for leases. Operating lease right-of-use assets (the "ROU") are disclosed as non-current assets in the Company's consolidated balance sheets. Current maturities of operating lease liabilities are classified as operating lease liabilities - current, and operating lease liabilities that will be due in more than one year are disclosed as non-current liabilities on the consolidated balance sheets. Operating lease right-of-use assets and operating lease liabilities are initially recognized based on the present value of future lease payments at lease commencement. The operating lease right-of-use asset also includes any lease payments made prior to lease commencement and the initial direct costs incurred by the lessee and is recorded net of any lease incentives received. As the interest rates implicit in most of the leases are not readily determinable, the Company uses the incremental borrowing rates based on the information available at lease commencement to determine the present value of the future lease payments. Operating lease expenses are recognized on a straight-line basis over the term of the lease.

Most leases have initial terms ranging from 1.1 to 5.4 years. The Company's lease agreements did not include non-lease components. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreements do not contain any significant residual value guarantees or restricted covenants.

The Company evaluates the carrying value of ROU assets if there are indicators of impairment and reviews the recoverability of the related asset group.

The Company reassesses if a contract is or contains a leasing arrangement and re-measures ROU assets and liabilities upon modification of the contract. The Company will derecognize ROU assets and liabilities, with difference recognized in the income statement on the contract termination.

Impairment for Long-lived Assets

Long-lived assets, including equipment, intangible assets and ROU assets with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable individually or as a group at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of the other assets and liabilities. The Company assesses the recoverability of the assets (or group of assets) based on the undiscounted future cash flows the assets (or group of assets) are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset (or group of assets) plus net proceeds expected from disposition of the asset (or group of assets), if any, are less than the carrying value of the asset (or group of assets). If an impairment is identified, the Company would reduce the carrying amount of the asset (or group of assets) to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. The carrying amount of the asset (or the long-lived assets in the asset group on a pro rata basis using the relative carrying amounts) is reduced to the extent not lower than the fair value of the asset. The adjusted carrying amounts after an impairment charge represent the new cost basis and is depreciated over their remaining useful lives.

Fair value measurement

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company. The Company considers the carrying amount of cash, accounts receivable, loan receivable, other receivables, accounts payable, other payables and accrued liabilities to approximate their fair values because of their short-term nature.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

As of March 31, 2024 and December 31, 2023, the carrying values of cash, other receivables, loan receivable, other payables and accrued liabilities approximate their fair values due to the short-term nature of the instruments. Fair value of convertible notes receivable have been discussed in Note 20.

Revenue recognition

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers* ("ASC 606") using the modified retrospective method for contracts that were not completed as of January 1, 2018. This did not result in an adjustment to retained earnings upon adoption of this new guidance as the Company's revenue, other than retainage revenues, was recognized based on the amount of consideration we expect to receive in exchange for satisfying the performance obligations. However, the impact of the Company's retainage revenue was not material as of the date of adoption, and as a result, did not result in an adjustment.

The core principle underlying the revenue recognition ASC 606 is that the Company will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

The Company's revenue streams are primarily recognized at a point in time.

The ASC 606 requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. Upon adoption, the Company evaluated its revenue recognition policy for all revenue streams within the scope of the ASC 606 under previous standards and using the five-step model under the new guidance and confirmed that there were no differences in the pattern of revenue recognition except its retainage revenues.

An entity will also be required to determine if it controls the goods or services prior to the transfer to the customer in order to determine if it should account for the arrangement as a principal or agent. Principal arrangements, where the entity controls the goods or services provided, will result in the recognition of the gross amount of consideration expected in the exchange. Agent arrangements, where the entity simply arranges but does not control the goods or services being transferred to the customer, will result in the recognition of the net amount the entity is entitled to retain in the exchange.

The Company, as a principal, provides services to clients under separate contracts, generating revenue. The pricing terms specified in the contracts are fixed. An obligation to perform is identified in contracts with clients. Revenue is recognized over the period in which the services are earned.

Payments received prior to the relevant criteria for revenue recognition are met, are recorded as customer deposits.

The Company did not have any revenue streams from continuing operations for the three months ended March 31, 2024 and 2023.

Income Taxes

The Company accounts for income taxes in accordance with U.S. GAAP for income taxes. The charge for taxation is based on the results for the fiscal

year 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 taxes is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the unaudited interim condensed consolidated 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. Deferred tax assets are recognized to the extent that it is probable 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 also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Company incurred no such penalties and interest for the three months ended March 31, 2024 and 2023.

Interest

Interest income is mainly generated from bank deposits and other interest earning financial assets and is recognized on an accrual basis using the effective interest method.

Net Loss per Common Stock

Basic loss per share is computed by dividing loss available to common shareholders of the Company by the weighted average common stocks outstanding during the period. Diluted loss per share takes into account the potential dilution that could occur if securities or other contracts to issue common stocks were exercised and converted into common stocks.

In May 2023 and November 2023 in connection with the placement agency agreements (see Note 16), the Company issued and sold pre-funded warrants exercisable for an aggregate of 844,351 and 1,876,103 shares of common stock, at the exercise price of \$ 8.35 and \$3.019 per share, of which \$8.349 and \$3.018 was pre-funded and paid to the Company upon issuance of the pre-funded warrants, respectively. The remaining exercise price of the pre-funded warrants is \$0.001 per share. The pre-funded warrants are exercisable by the holders at any time and do not expire. On November 1, 2023, in connection with the Warrant Exchange Agreements (see Note 16), the holders of May 2023 Unregistered Warrants (as defined in Note 16) surrendered the May 2023 Unregistered Warrants, and the Company cancelled the May 2023 Unregistered Warrants and issued to these holders pre-funded warrants to purchase up to 577,260 shares of the Company's common stock with no consideration.

For the three months ended March 31, 2024, 567,691 pre-funded warrants representing 567,691 shares of the Company's common stock were exercised for \$654. The remaining pre-funded warrants are immediately exercisable after issuance and do not expire. As the remaining shares underlying the pre-funded warrants are issuable for nominal consideration of \$0.001 per share, 922,072 in common stocks underlying the unexercised pre-funded warrants were considered outstanding for purposes of the calculation of loss per share as of March 31, 2024.

For the three months ended March 31, 2024 and 2023, 7,309,181 and 4,539,674 of outstanding warrants (excluding the Pre-funded Warrants and Exchange Warrants) which are equivalent to convertible of 3,080,017 and 151,323 common stocks were excluded from the diluted loss per share calculation due to their antidilutive effect.

Comprehensive Loss

Comprehensive loss is defined as the changes in equity of the Company during a year from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Accumulated other comprehensive income of the Company includes the foreign currency translation adjustments and unrealized gains or loss on available-for-sale investments.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net loss or and financial position.

Recently Accounting Pronouncements

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations* (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, *Revenue from Contracts with Customers*. The new amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company has evaluated and concluded that there's no impact of the new guidance on the unaudited interim condensed consolidated financial statements. The Company adopted ASU 2021-08 since January 1, 2024.

In June 2022, the FASB issued ASU 2022-03, "*Fair Value Measurement* (Topic 820): *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*", which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company has evaluated and concluded that there's no impact of the new guidance on the unaudited condensed interim consolidated financial statements. The Company adopted ASU 2022-03 since January 1, 2024.

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting* (Topic 280): *Improvements to Reportable Segment Disclosures*", which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The purpose of the amendment is to enable investors to better understand an entity's overall performance and assess potential future cash flows. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. The Company will begin

In December 2023, the FASB issued ASU 2023-08, *Intangibles - Goodwill and Other - Crypto Assets* (Subtopic 350-60): *Accounting for and Disclosure of Crypto Assets*, which establishes accounting guidance for crypto assets meeting certain criteria. Bitcoin meets this criteria. The amendments require crypto assets meeting the criteria to be recognized at fair value with changes recognized in net income each reporting period. Upon adoption, a cumulative-effect adjustment is made to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company has evaluated and concluded that there's no impact of the new guidance on the unaudited interim condensed consolidated financial statements. The Company adopted ASU 2022-08 since January 1, 2024.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes* (Topic 740): *Improvements to Income Tax Disclosures* (ASU 2023-09), which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company's management does not believe the adoption of ASU 2023-09 will have a material impact on its financial statements and disclosures.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's unaudited interim condensed consolidated balance sheets, unaudited condensed interim consolidated statements of operations and comprehensive loss and unaudited interim condensed consolidated statements of cash flows.

Note 3 – Variable Interest Entity

Yuanma

On June 21, 2022, Makesi WFOE entered into a series of contractual arrangements with Yuanma and its shareholders. The significant terms of these contractual arrangements are summarized in "Note 1 - Nature of business and organization" above. As a result, the Company classified Yuanma as VIE.

On June 26, 2023, GDC entered into a share purchase agreement with a buyer unaffiliated with the Company. Pursuant to the agreement, the Company agreed to sell and the buyer agreed to purchase all the issued and outstanding equity interest in TMSR HK, which hold 100% of the equity interests in Makesi WFOE. The purchase price for the transaction contemplated by the Agreement was \$100,000. The sale of TMSR HK included the sale of Makesi WFOE and Yuanma, which has any material impact on the Company's unaudited interim condensed consolidated financial statements.

Highlight Media

On September 16, 2022, Makesi WFOE entered into contractual arrangements with Highlight Media and its shareholders. The significant terms of these contractual arrangements are summarized in "Note 1 - Nature of business and organization" above. As a result, the Company classifies Highlight Media as VIE.

On February 27, 2023, Highlight WFOE entered into a series of assignment agreements with Makesi WFOE, Highlight Media and Highlight Shareholders, pursuant to which Makesi WFOE assign all its rights and obligations under the VIE agreements to Highlight WFOE. The VIE agreements and the assignment agreements granted Highlight WFOE with the power, rights and obligations equivalent in all material respects to those it would possess as the sole equity holder of Highlight Media, including absolute rights to control the management, operations, assets, property and revenue of Highlight Media. The assignment did not have any impact on Company's unaudited interim condensed consolidated financial statements.

On September 26, 2023, Highlight WFOE entered into a termination agreement with Highlight Media and the shareholders of Highlight Media to terminate the VIE Agreements and sell the interest in the VIE Agreements for a purchase price of \$100,000. As a result of such termination, the Company no longer treats Highlight Media as a consolidated affiliated entity or consolidates the financial results and balance sheet of Highlight Media in the Company's unaudited interim condensed consolidated financial statements.

A VIE is an entity that has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest, such as through voting rights, right to receive the expected residual returns of the entity or obligation to absorb the expected losses of the entity. The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. Highlight WFOE is deemed to have a controlling financial interest and be the primary beneficiary of Highlight Media and Makesi WFOE is deemed to have a controlling financial interest and be the primary beneficiary of Yuanma because Highlight WFOE and Makesi WFOE have both of the following characteristics:

- (1) The power to direct activities at Highlight Media and Yuanma that most significantly impact such entity's economic performance, and
- (2) The obligation to absorb losses of, and the right to receive benefits from Highlight Media and Yuanma that could potentially be significant to such entity.

Accordingly, the accounts of Highlight Media and Yuanma are consolidated in the accompanying financial statements pursuant to ASC 810-10, *Consolidation*. In addition, Yuanma's financial positions and results of operations were included in the Company's unaudited interim condensed consolidated financial statements prior to June 26, 2023 and Highlight Media's financial positions and results of operations were included in the Company's unaudited interim condensed consolidated financial statements prior to September 26, 2023.

As of March 31, 2024, the Company did not have any VIE operations. The operations results from VIE operations for the three months ended March 31, 2024 and 2023 have been reflected in discontinued operations as disclosed in Note 19.

Note 4 – Cash and Cash Equivalents

Cash at banks represents cash balances maintained at commercial banks. As of March 31, 2024 and December 31, 2023, the Company did not have any cash equivalents. The Company maintains bank accounts in the United States and institutions in PRC.

| | |
|---------------------------|------------------------------|
| March 31, 2024 | December 31, 2023 |
|---------------------------|------------------------------|

| | (unaudited) | |
|---------------|-------------|--------------|
| Cash at Banks | \$ 486,201 | \$ 5,175,518 |

Note 5 – Prepaid and Other Current Assets

Prepaid and other current assets consisted of the following as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|--|----------------------------------|----------------------|
| Prepayments of digital human services | \$ 580,000 | \$ 797,500 |
| Prepayments of live streaming services | - | 487,587 |
| Consulting service | 265,000 | - |
| Marketing and advertising services | 208,329 | - |
| Other prepayments | - | 5,803 |
| Total prepaid and other current assets | <u>\$ 1,053,329</u> | <u>\$ 1,290,890</u> |

Note 6 – Loan Receivable

On January 13, 2024, the Company entered into a loan agreement with Lotus City Limited ("Lotus"), pursuant to which, the Company agreed to lend \$1,900,000 to Lotus, with the interest rate of 5% per annum accrued daily. The Loan together with accrued and unpaid interest and all other charges, costs and expenses, is due and payable on or before January 16, 2025. On January 16, 2024, the Company transferred \$1,900,000 to Lotus. Since the loan will be due within one year, the Company classified the loan as current assets under the loan receivable account on the unaudited interim condensed consolidated balance sheet.

For the three months ended March 31, 2024, the Company accrued \$ 19,781 of interest and recorded as interest income on the unaudited interim condensed consolidated statements of operations. As of March 31, 2024, the outstanding balance of loan receivable was \$1,919,781.

On April 3, 2024, Lotus repaid the principal of \$ 1,000,000 to the Company, leaving \$900,000 of principal still outstanding.

Note 7 – Other Receivables

Other receivables as of March 31, 2024 and December 31, 2023 consisted of the following:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|------------------------------|----------------------------------|----------------------|
| Lease deposit | \$ 9,195 | \$ 9,459 |
| Total other receivables, net | <u>\$ 9,195</u> | <u>\$ 9,459</u> |

Note 8 – Equipment, net

Equipment, net consisted of the following as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|--------------------------------|----------------------------------|----------------------|
| Office equipment and furniture | \$ 14,190 | \$ 14,190 |
| Less: accumulated depreciation | (2,862) | (1,679) |
| Total | <u>\$ 11,328</u> | <u>\$ 12,511</u> |

Depreciation expense for the three months ended March 31, 2024 and 2023 amounted to \$ 1,183 and nil, respectively.

Note 9 – Intangible Assets, net

Intangible assets consisted of the following as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|--------------------------------|----------------------------------|----------------------|
| Software | \$ 3,646,382 | \$ 3,653,104 |
| Subtotal | 3,646,382 | 3,653,104 |
| Less: accumulated amortization | (527,138) | (345,155) |
| Total | <u>\$ 3,119,244</u> | <u>\$ 3,307,949</u> |

The Company's intangible assets include a software of \$ 750,000 purchased from a third party by issuance of 180,000 of the Company's common stock (as disclosed in Note 16) and software of \$2,903,104 purchased by the Company in cash. The Company amortizes its software over their estimated useful lives and reviews these assets for impairment.

Amortization expense for the three months ended March 31, 2024 and 2023 was \$ 182,373 and nil, respectively.

Note 10 – Other Payables and Accrued Liabilities

Accrued expenses consisted of the following as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|-----------------------------------|----------------------------------|----------------------|
| Professional service fee | \$ 145,540 | \$ - |
| Payroll | 21,273 | 3,944 |
| Rental | 16,397 | 15,981 |
| Travel and Entertainment expenses | 10,212 | 3,413 |
| Total | \$ 193,422 | \$ 23,338 |

Note 11 – Related Party Transactions

Other payable – related parties:

| Name of related party | Relationship | Nature | March 31, 2024 (unaudited) | December 31, 2023 |
|-----------------------|-------------------------|-----------------------|----------------------------------|----------------------|
| Xiaojian Wang | Chief Executive Officer | Accrued compensations | \$ 12,500 | \$ - |
| Zihao Zhao | Chief Finance Officer | Accrued compensations | 28,333 | 20,833 |
| Total | | | \$ 40,833 | \$ 20,833 |

As of March 31, 2024 and December 31, 2023, the balance of other payable- related parties were \$ 40,833 and \$20,833, respectively, consisted of accrued compensations of the Company's officers.

For the three months ended March 31, 2024 and 2023, the Company recorded compensation expenses to its officers amounted to \$ 40,833 and nil, respectively, for their services provided to the Company.

Note 12 – Convertible Notes Receivable

The Company's convertible notes receivable consisted of the following as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|------------------------------|----------------------------------|----------------------|
| Convertible notes receivable | \$ 2,656,877 | \$ 2,602,027 |
| Total | \$ 2,656,877 | \$ 2,602,027 |

On June 1, 2023 and August 17, 2023, the Company purchased two convertible notes issued by DigiTrax Entertainment Inc. (the "DigiTrax") for an aggregated of \$1,000,000 (the "DigiTrax Convertible Notes"). Each DigiTrax Convertible Note will be due on one year after the original issuance (the "DigiTrax Convertible Note Maturity Date"). The Company has the right to receive interest on the aggregate unconverted and then outstanding principal amount of these notes at the rate of 10% per annum. Accrued and unpaid interest will be due and payable on conversion, repayment, redemption, maturity or default. At any time (after six months) after the issuance until the notes are no longer outstanding, the notes shall be convertible, in whole or part, into shares of common stock of DigiTrax at a price of \$1.4 per share. In the event DigiTrax consummates a public offering of any capital stock and is able to receive gross proceeds of at least \$10,000,000 ("Qualified Offering") prior to the DigiTrax Convertible Note Maturity Date and there's no event of default, all then outstanding principal and accrued but unpaid interest under the DigiTrax Convertible Notes should convert into the number of fully paid and nonassessable shares of DigiTrax common stock based on the lesser of (i) \$1.4 per share, or (ii) seventy percent (70%) of the price per share of DigiTrax common stock that is subject to the Qualified Offering.

On June 2, 2023 and August 17, 2023, the Company purchased two convertible notes issued by Liquid Marketplace Corp. (the "Liquid") for an aggregated of \$1,500,000 (the "Liquid Convertible Notes"). Each Liquid Convertible Note will be due on one year after the original issuance (the "Liquid Convertible Note Maturity Date"). The Company has the right to receive interest on the aggregate unconverted and then outstanding principal amount of these notes at the rate of 8% per annum. Accrued and unpaid interest will be due and payable on conversion, repayment, redemption, maturity or default. At any time after the issuance until the notes are no longer outstanding, the notes shall be convertible, in whole or part, into shares of common stock of Liquid at a price of \$0.25 per share. In the event Liquid consummates a public offering of any capital stock and is able to receive gross proceeds of at least \$10,000,000 ("Qualified Offering") prior to the Liquid Convertible Note Maturity Date and there's no event of default, all then outstanding principal and accrued but unpaid interest under the Liquid Convertible Notes should convert into the number of fully paid and nonassessable shares of Liquid common stock based on the lesser of (i) \$0.25 per share, or (ii) seventy percent (70%) of the price per share of Liquid common stock that is subject to the Qualified Offering.

The Company evaluated the terms of the DigiTrax Convertible Notes and the Liquid Convertible Notes according to ASC 320 and concluded that these notes should be classified as an available-for-sale security and measured at fair value.

For the three months ended March 31, 2024 and 2023, the Company recorded unrealized gains on the fair value changes of these notes amounted to \$54,849 and nil in other comprehensive income in relation to above convertible notes in the accompanying unaudited interim condensed consolidated statements of operations and comprehensive loss. As of March 31, 2024 and December 31, 2023, the balance of the convertible notes were \$2,656,877 and \$2,602,027, respectively.

Note 13 – Leases

Leases are classified as operating leases or finance leases in accordance with ASC 842 Leases. The Company's operating leases mainly related to the rights to use building and office facilities. For leases with terms greater than 12 months, the Company records the related asset and liability at the present value of lease payments over the term. Certain leases include rental escalation clauses, renewal options and/or termination options, which are factored into the Company's determination of lease payments when appropriate.

| March 31, 2024 | December 31, 2023 |
|-------------------|----------------------|
|-------------------|----------------------|

| | (unaudited) | |
|---|-------------|------------|
| Weighted average remaining lease term: | | |
| Operating lease | 4.53 years | 4.81 years |
| Weighted average discount rate: | | |
| Operating lease | 7.42% | 7.56% |

The balances for the operating leases where the Company is the lessee are presented as follows within the unaudited interim condensed consolidated balance sheets:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|--|----------------------------------|----------------------|
| Operating lease right-of-use assets, net | | |
| Operating lease | \$ 1,566,003 | \$ 1,561,058 |
| Lease liabilities | | |
| Current portion of operating lease liabilities | 308,419 | 358,998 |
| Non-current portion of operating lease liabilities | 1,326,946 | 1,317,678 |
| | <u>\$ 1,635,365</u> | <u>\$ 1,676,676</u> |

21

Future lease payments under operating leases as of March 31, 2024 were as follows:

| | Operating Leases |
|---|---------------------|
| Remainder of FY2024 | \$ 320,743 |
| FY2025 | 385,550 |
| FY2026 | 393,261 |
| FY2027 | 401,127 |
| FY2028 | 409,149 |
| FY2029 | 34,605 |
| Total lease payments | <u>\$ 1,944,435</u> |
| Less: imputed interest | 309,070 |
| Present value of lease liabilities ⁽¹⁾ | <u>\$ 1,635,365</u> |

(1) As of March 31, 2024, present value of future operating lease payments consisted of current portion of operating lease liabilities and non-current portion of operating lease liabilities, amounting to \$308,419 and \$1,326,946, respectively.

Lease expense for all the Company's operating leases for the three months ended March 31, 2024 and 2023 were \$95,057 and nil, respectively.

Note 14 – Taxes

Income tax

United States

GDC was organized in the state of Delaware in April 2015. As of March 31, 2024 and December 31, 2023, GDC's net operating loss carry forward for United States income taxes was approximately \$7.1 million and \$6.3 million, respectively. The net operating loss carry forwards are available to reduce future years' taxable income through year 2039. Management believes that the realization of the benefits from these losses appears uncertain due to the Company's operating history and continued losses in the United States. Accordingly, the Company has provided a 100% valuation allowance on the deferred tax asset to reduce the asset to zero. Management reviews this valuation allowance periodically and makes changes accordingly.

On December 22, 2017, the "Tax Cuts and Jobs Act" ("The 2017 Tax Act") was enacted in the United States. Under the provisions of the Act, the U.S. corporate tax rate decreased from 34% to 21%. The 2017 Tax Act imposed a global intangible low-taxed income tax ("GILTI"), which is a new tax on certain off-shore earnings at an effective rate of 10.5% for tax years beginning after March 31, 2017 (increasing to 13.125% for tax years beginning after March 31, 2025) with a partial offset for foreign tax credits. The Company determined that there is no impact of GILTI for the three months ended March 31, 2024 and 2023, which the Company believes that it will be imposed a minimum tax rate of 10.5% and to the extent foreign tax credits are available to reduce its US corporate tax, which may result in no additional US federal income tax being due.

British Virgin Islands

Citi Profit BVI is incorporated in the British Virgin Islands and are not subject to tax on income or capital gains under current British Virgin Islands law. In addition, upon payments of dividends by these entities to their shareholders, no British Virgin Islands withholding tax will be imposed.

Hong Kong

TMSR HK and Highlight HK are incorporated in Hong Kong and are subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. TMSR and Highlight HK are subject to Hong Kong profit tax at a rate of 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million for the three months ended March 31, 2024 and 2023. The Company did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong since inception. Under Hong Kong tax law, TMSR HK is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

22

PRC

Makesi WFOE, Highlight WFOE, Highlight Media, Yuanma and SH Xianzhui are governed by the income tax laws of the PRC and the income tax provision in respect to operations in the PRC is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Enterprise Income Tax Laws of the PRC (the "EIT Laws"), Chinese enterprises are subject to income tax at a rate of 25% after appropriate tax adjustments.

The current and deferred components of income tax expenses from continuing operations appearing in the unaudited interim condensed consolidated statements of operations are as follows:

| | For the three months ended March 31, | |
|-----------------------|---|---------------------|
| | 2024 (unaudited) | 2023 (unaudited) |
| Current tax expenses | \$ - | \$ - |
| Deferred tax expenses | 1,038 | - |
| Total | \$ 1,038 | \$ - |

The principal components of the Company's deferred income tax assets and liabilities as of March 31, 2024 and December 31, 2023 are as follows:

| | March 31, 2024 (unaudited) | December 31, 2023 |
|--------------------------------------|----------------------------------|----------------------|
| Deferred tax assets | | |
| Net operating losses carried forward | \$ 7,057,015 | \$ 6,295,697 |
| Lease liability | 343,427 | 352,102 |
| Valuation allowance | (7,400,442) | (6,647,799) |
| Deferred tax assets, net | \$ - | \$ - |
| Deferred tax liabilities | | |
| Right - Of - Use assets | \$ 328,861 | \$ 327,822 |
| Deferred tax liabilities, net | \$ 328,861 | \$ 327,822 |

Value added tax

Enterprises or individuals who sell commodities, provide services, engage in repair and maintenance or import and export goods in the PRC are subject to a value added tax (the "VAT") in accordance with PRC laws. The VAT standard rates changed to 6% to 13% of the gross sales prices starting in April 2019. A credit is available whereby VAT paid on the purchases of services can be used to offset the VAT due on sales of the finished products and services.

As of March 31, 2024 and December 31, 2023, there is no balance of the value added tax payable.

Note 15 – Concentration of Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At March 31, 2024 and December 31, 2023, the Company had \$62,435 and \$4,458,402 in excess of the FDIC insured limit, respectively.

As of March 31, 2024 and December 31, 2023, \$44,377 and \$211,222 were deposited with a financial institution located in the PRC, respectively. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

Note 16 – Equity

Statutory Reserves and Restricted Net Assets

In accordance with the PRC Regulations on Enterprises with Foreign Investment, an enterprise established in the PRC with foreign investment is required to make appropriations to certain statutory reserves, namely a general reserve fund, an enterprise expansion fund, a staff welfare fund and a bonus fund, all of which are appropriated from net profit as reported in its PRC statutory accounts. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profits to a general reserve fund until such fund has reached 50% of its respective registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus funds are at the discretion of the board of directors for the foreign invested enterprises. For other subsidiaries incorporated in the PRC, the general reserve fund was appropriated based on 10% of net profits as reported in each subsidiary's PRC statutory accounts. General reserve and statutory surplus funds are restricted to set-off against losses, expansion of production and operation and increasing registered capital of the respective company. Staff welfare and bonus fund and statutory public welfare funds are restricted to capital expenditures for the collective welfare of employees. The reserves are not allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor are they allowed for distribution except under liquidation. As of March 31, 2024 and December 31, 2023, there are no balance of the PRC statutory reserve funds.

In addition, under PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer their net assets to the Company in the form of dividend payments, loans or advances. Amounts of net assets restricted include paid up capital and statutory reserve funds of the Company's PRC totaling \$397,243 and \$1,083,267 as of March 31, 2024 and December 31, 2023, respectively.

Furthermore, cash transfers from the Company's PRC subsidiaries to the Company's subsidiaries outside of the PRC are subject to the PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the Company's PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

Common Stock

On May 1, 2023, the Company entered into a placement agency agreement (the "May 2023 Placement Agency Agreement"), with Univest Securities, LLC (the "Placement Agent" or "Univest"), pursuant to which, the Placement Agent agrees to use its reasonable best efforts to sell the Company's

common stock in a registered direct offering (the "May 2023 RD Offering"), and a concurrent private placement (the "May 2023 PIPE Offering", together with the RD Offering, collectively the "May 2023 Offering"). The Placement Agent has no obligation to buy any of the securities from the Company or to arrange for the purchase or sale of any specific number or dollar amount of securities.

On May 4, 2023, the Company sold an aggregate of 310,168 shares of common stock of the Company, par value \$ 0.0001 per share, and pre-funded warrants to purchase up to an aggregate of 844,351 shares of common stock are sold to certain purchasers (the "May 2023 Offering Purchasers"), pursuant to a securities purchase agreement, dated May 1, 2023, as amended on May 16, 2023 (the "May 2023 Securities Purchase Agreement"). The purchase price of each share of common stock is \$8.35. The purchase price of each pre-funded warrant is \$8.349, which equals the price per share of common stock being sold to the public in this offering, minus \$0.001. The pre-funded warrants to purchase up to an aggregate of 844,351 shares of common stock were exercised in full in May 2023.

In connection with the May 2023 Offering, the Company paid Univest a total cash fee equal to 7.0% of the aggregate gross proceeds received in the offering. The net proceeds from the May 2023 Offering, after deducting Placement Agent discounts and commissions and estimated offering expenses payable by the Company, are approximately \$8.5 million (assuming the warrants are not exercised). The Company used the net proceeds from the Offering for working capital and general corporate purposes.

On June 22, 2023, the Company entered into a software purchase agreement with Northeast Management LLC, a seller unaffiliated with the Company. Pursuant to the agreement, the Company agreed to purchase, and the seller agreed to sell all of seller's right, title, and interest in and to the certain software. The purchase price of the software shall be \$750,000, payable in the form of issuance of 187,500 shares of common stock of the Company, valued at \$4.00 per share. The Company plans to use the software to develop video games. On June 26, 2023, the Company issued the shares to the seller's designees and the transaction was completed.

On November 1, 2023, the Company entered into a placement agency agreement (the "November 2023 Placement Agency Agreement"), with Univest, pursuant to which, Univest agrees to use its reasonable best efforts to sell the Company's common stock in a registered direct offering and a concurrent private placement (the "November 2023 Offering"). Univest has no obligation to buy any of the securities from the Company or to arrange for the purchase or sale of any specific number or dollar amount of securities.

Pursuant to the November 2023 Offering, (i) an aggregate of 1,436,253 shares of common stock of the Company, par value \$0.0001 per share, (ii) pre-funded warrants to purchase up to an aggregate of 1,876,103 shares of common stock (the "November 2023 Pre-Funded Warrants", and the common stock underlying such warrants, the "November 2023 Pre-Funded Warrant Shares"), and (iii) registered warrants to purchase up to an aggregate of 3,312,356 shares of common stock (the "November 2023 Registered Warrants", and the common stock underlying such warrants, the "November 2023 Registered Warrant Shares") are sold to certain purchasers (the "November 2023 Offering Purchasers"), pursuant to a securities purchase agreement, dated October (the "October 2023 Securities Purchase Agreement"). The purchase price of each common stock is \$3.019. The purchase price of each November 2023 Pre-funded Warrant is \$3.018, which equals the price per common stock being sold in the November 2023 Offering, minus \$ 0.001. The November 2023 Pre-funded Warrants will be exercisable immediately after issuance and will expire five (5) years from the date of issuance. The November 2023 Registered Warrants will be exercisable immediately and will expire five (5) years from the date of issuance.

The total proceeds from the November 2023 Offering was approximately \$10.0 million. Offering costs of approximately \$1.0 million, consisting of approximately \$0.7 million underwriting commissions and \$0.3 million other professional fees, were charged into additional paid-in capital. The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

In November and December 2023, holders of 963,600 of the November 2023 Pre-Funded Warrants exercised their option to purchase 963,600 shares of the Company's common stock. On February 15, 2024, March 19, 2024 and March 21, 2024, holders of 567,691 of the November 2023 Pre-Funded Warrants exercised their option to purchase 567,691 shares of the Company's common stock, leaving 344,812 of November 2023 Pre-Funded Warrants are still outstanding as of March 31, 2024. On March 26, 2024, holders of 865,376 November 2023 Registered Warrants exercised their options to purchase 709,877 shares of the Company's common stock, leaving 2,446,980 shares of November 2023 Registered Warrants are still outstanding as of March 31, 2024.

On January 11, 2024, the Company issued the 400,000 shares of its common stock to Beijing Hehe for exchange of 13.3333% of the total equity interest of SH Xianzhui (as described in Note 1).

In March 2024, the Company entered into a placement agency agreement (the "March 2024 Placement Agency Agreement"), with Univest, pursuant to which, Univest agrees to use its reasonable best efforts to sell the Company's common stock in a registered direct offering and a concurrent private placement (the "March 2024 Offering"). Univest has no obligation to buy any of the securities from the Company or to arrange for the purchase or sale of any specific number or dollar amount of securities.

Pursuant to the March 2024 Offering, an aggregate of 810,277 shares of common stock of the Company, par value \$ 0.0001 per share, were sold to certain purchasers (the "March 2024 Offering Purchasers"), pursuant to a securities purchase agreement, dated March 22, 2024 (the "March 2024 Securities Purchase Agreement") at a price of \$1.144 per common stock, for aggregated proceeds of approximately \$0.9 million. The Company paid Univest a cash fee equal to 4.0% of the aggregate gross proceeds raised in the March 2024 Offering. The Company also issued warrants to Univest to purchase up to 40,514 shares of common stock of the Company at an exercise price of \$ 1.373 per share, (the "March 2024 Placement Agent Warrants"). The March 2024 Placement Agent Warrants and the common stock underlying the March 2024 Placement Agent Warrants were not registered under the Securities Act, pursuant to the registration statement of March 2024 Offering. The March 2024 Placement Agent Warrants were issued pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder.

The May 2023 Offering, the November 2023 Offering and the March 2024 Offering were being made pursuant to a shelf registration statement (No. 333-254366) on Form S-3, which was declared effective by the U.S. Securities and Exchange Commission (the "SEC") on March 26, 2021, and related prospectus supplement.

As of March 31, 2024 and December 31, 2023, the total outstanding shares of the Company's common stock were 7,941,261 and 5,453,416, respectively.

Warrants and Options

On July 29, 2015, the Company sold 10,000,000 units at a purchase price of \$5.00 per unit ("Public Units") in its initial public offering (the "IPO"). Each Public Unit consists of one share of the Company's common stock, \$0.0001 par value, and one warrant (the "Public Warrants"). Each Public Warrant entitles the holder to purchase one-half of one share of common stock at an exercise price of \$2.88 per half share (\$5.75 per whole share). Warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants. The Public Warrants became exercisable on 30 days after the consummation of its initial Business Combination with China Sunlong on February 6, 2018. The Public Warrants expired on February 5, 2023.

The sponsor of the Company purchased, simultaneously with the closing of the IPO on July 29, 2015, 500,000 units ("Private Units") at \$5.00 per unit in a private placement for an aggregate price of \$2,500,000. Each Private Unit consists of one share of the Company's common stock, \$0.0001 par value, and one warrant (the "Private Warrants"). Each Private Unit purchased is substantially identical to the units sold in the IPO. Therefore, the 500,000 Private Warrants included in the Private Units became exercisable on February 6, 2018 and expired on February 5, 2023.

The Company sold to the underwriter (and/or its designees), for \$100, as additional compensation, an option ("the Option") to purchase up to a total of 800,000 units exercisable at \$5.00 per unit (or an aggregate exercise price of \$4,000,000) upon the closing of the IPO. The Option became exercisable until closing the initial Business Combination on February 6, 2018 and expired on February 5, 2023.

After the 1-for-30 reverse stock split effective on November 9, 2022, all options, warrants and other convertible securities of the Company outstanding immediately prior to the reverse stock split were adjusted by dividing the number of shares of common stock into which the options, warrants and other convertible securities are exercisable or convertible by thirty (30) and multiplying the exercise or conversion price thereof by thirty (30), all in accordance with the terms of the plans, agreements or arrangements governing such options, warrants and other convertible securities and subject to rounding to the nearest whole share.

On February 18, 2021, the Company entered into a securities purchase agreement (the "February 2021 Securities Purchase Agreement") with certain purchasers, pursuant to which, on February 22, 2021, the Company sold (i) 138,889 shares of common stock, (ii) registered warrants (the "February 2021 Registered Warrants") to purchase an aggregate of up to 54,646 shares of common stock and (iii) unregistered warrants (the "February 2021 Unregistered Warrants") to purchase up to 84,244 shares (the "Warrant Shares") of common stock in a registered direct offering (the "February 2021 Registered Direct Offering") and a concurrent private placement (the "February 2021 Private Placement," and together with the February 2021 Registered Direct Offering, the "February 2021 Offering"). The terms of the February 2021 Offering were previously reported in a Form 8-K filed with the SEC on February 18, 2021 and the closing of the Offering was reported in a Form 8-K filed with the Commission on February 22, 2021.

The February 2021 Registered Warrants have a term of five years and are exercisable immediately at an exercise price of \$ 201.60 per share, subject to adjustments thereunder, including a reduction in the exercise price, in the event of a subsequent offering at a price less than the then current exercise price, to the same price as the price in such offering (a "Price Protection Adjustment").

The February 2021 Unregistered Warrants have a term of five and one-half years and are first exercisable on the date that is the earlier of (i) six months after the date of issuance or (ii) the date on which the Company obtains stockholder approval approving the sale of the securities sold under the February 2021 Securities Purchase Agreement, to purchase an aggregate of up to 84,244 shares of common stock. The February 2021 Unregistered Warrants have an exercise price of \$201.60 per share, subject to adjustments thereunder, including (x) a Price Protection Adjustment and (y) in the event the exercise price is more than \$183.00, a reduction of the exercise price to \$183.00, upon obtaining such stockholder approval.

The Company paid the Placement Agent a cash fee of \$ 2,310,000, including \$2,000,000 in commission which was equal to eight percent (8.0%) of the aggregate gross proceeds raised in February 2021 Offering, \$250,000 in non-accountable expense which was equal to one percent (1%) of the aggregate gross proceeds raised in the February 2021 Offering, and \$60,000 in accountable expenses. Additionally, the Company issued to the Placement Agent warrants to purchase up to 6,945 shares of common stock (the "February 2021 Placement Agent Warrants"), with a term of five years first exercisable six months after the date of issuance and at an exercise price of \$180.00 per share.

Pursuant to the February 2021 Securities Purchase Agreement, the Company is required to hold a meeting of our shareholders not later than April 29, 2021 to seek such approval as may be required from our shareholders (the "Stockholder Approval"), in accordance with applicable law, the applicable rules and regulations of the Nasdaq Stock Market, our certificate of incorporation and bylaws and the Nevada Revised Statutes with respect to the issuance of the securities in the Offering, including the Warrants sold in the Private Placement, so that the issuance by us of shares of common stock in excess of the 231,802 shares (19.99% of the shares of common stock outstanding as of February 17, 2021, the date prior to entering into the February 2021 Securities Purchase Agreement) in the aggregate (the "Issuable Maximum"), will be in compliance with Nasdaq Listing Rules 5635(a) and 5635(d) as described herein, and investors in the Offering will be able to exercise the Warrants prior to six months after the closing of the Offering.

On April 29, 2021, the Company held a special meeting of shareholders and approved the issuance of shares of common stock in excess of the 231,802 shares. The exercise price of the Unregistered Warrants was reduced to \$ 183.00.

On May 1, 2023, pursuant to the May 2023 Placement Agency Agreement as described above, Pre-Funded warrants to purchase up to an aggregate of 844,351 shares of common stock are sold to May 2023 Offering Purchasers. The purchase price of each Pre-funded Warrant is \$ 8.349. In connection with the Pre-Funded Warrant Shares, "Pre-funded" refers to the fact that the purchase price of the warrants in the offering includes almost the entire exercise price that will be paid under the Pre-funded Warrants, except for a nominal remaining exercise price of \$0.001. The purpose of the Pre-funded Warrants is to enable Purchasers that may have restrictions on their ability to beneficially own more than 4.99% (or, upon election of the holder, 9.99%) of the Company's outstanding common stock following the consummation of the offering the opportunity to make an investment in the Company without triggering their ownership restrictions, by receiving Pre-funded Warrants in lieu of the Company's common stock which would result in such ownership of more than 4.99% (or 9.99%), and receive the ability to exercise their option to purchase the shares underlying the Pre-funded Warrants at such nominal price at a later date. In the RD Offering, each Pre-funded Warrant is exercisable for one share of our common stock, with an exercise price equal to \$0.001 per share, at any time that the Pre-funded Warrant is outstanding. The Pre-funded Warrants will be exercisable immediately after issuance and will expire five (5) years from the date of issuance. The holder of a Pre-funded Warrant will not be deemed a holder of our underlying common stock until the Pre-funded Warrant is exercised.

In connection with the May 2023 Offering, unregistered warrants to purchase up to 1,154,519 shares of common stock (the "May 2023 Unregistered Warrants") are also sold to the May 2023 Offering Purchasers. The May 2023 Unregistered Warrants are exercisable immediately after issuance and will expire five (5) years from the date of issuance. The Exercise Price of the May 2023 Unregistered Warrants is \$8.35 per share, subject to adjustment as provided in the form of May 2023 Unregistered Warrants.

In concurrent with the November 2023 Offering, on November 1, 2023, the Company entered into certain warrant exchange agreements (the "Warrant Exchange Agreements") with May 2023 Offering Purchasers. Pursuant to the Warrant Exchange Agreements, the holders of May 2023 Unregistered Warrants shall surrender the May 2023 Unregistered Warrants, and the Company shall cancel the May 2023 Unregistered Warrants and shall issue to these holders pre-funded warrants to purchase up to 577,260 shares of the Company's Common Stock (the "Exchange Warrants"). The Exchange Warrants were issued to holders on November 3, 2023 and the warrant exchange closed on the same day. As of March 31, 2024 and December 31, 2023, 577,260 of the Exchange Warrants are still outstanding.

The Placement Agent of the May 2023 Offering also received warrants to purchase up to 115,452 shares of common stock at an exercise price of \$10.02 per share (the "May 2023 Placement Agent Warrants"), which represents 120% of the May 2023 Offering price of each share of common stock. The Placement Agent's warrants will have substantially the same terms as the May 2023 Unregistered Warrants.

In connection with the November 2023 Offering, 1,876,103 shares of the November 2023 Pre-Funded Warrants and 3,312,356 shares of the November 2023 Registered Warrants were sold to November 2023 Offering Purchasers. Each November 2023 Pre-funded Warrant is exercisable for one share of the Company's common stock, with an exercise price equal to \$0.001 per share, at any time that the November 2023 Pre-funded Warrant is outstanding. The November 2023 Pre-funded Warrants will be exercisable immediately after issuance and will expire five (5) years from the date of issuance. The holder of a November 2023 Pre-funded Warrant will not be deemed a holder of the Company's underlying common stock until the November 2023 Pre-funded Warrant is exercised. The November 2023 Registered Warrants will be exercisable immediately and will expire five (5) years from the date of issuance. The exercise price of the November 2023 Registered Warrants is \$3.019, subject to adjustment as provided in the form of November 2023 Registered Warrants. As of March 31, 2024, 1,531,291 of the November 2023 Pre-Funded Warrants and 865,376 shares of November 2023 Registered Warrants were exercised, leaving 344,812 of November 2023 Pre-Funded Warrants and 2,446,980 shares of November 2023 Registered Warrants are still outstanding.

The Placement Agent of the November 2023 Offering also received warrants purchase up to 331,236 shares of common stock (equal to 5.0% of the aggregate number of common stocks, and shares of common stock underlying the November 2023 Pre-Funded Warrants, and the number of shares of common stock underlying the November 2023 Registered Warrants) at an exercise price of \$3.623 per share (the "November 2023 Placement Agent Warrants"), which represents 120% of November 2023 Offering price, for an aggregate purchase price of one hundred U.S. dollars (US\$100), which warrant shall be exercisable at any time during the period commencing six (6) months after commencement of sales in the November 2023 Offering through the fifth (5th) anniversary of issuance. The Placement Agent's Warrants are not covered by the shelf registration statement (No. 333-254366) on Form S-3, which was declared effective by the SEC on March 26, 2021, and related prospectus supplement.

In connection with the March 2024 Offering, the Company issued 40,514 shares of March 2024 Placement Agent Warrants to Univest, at an exercise price of \$1.373 per share. The March 2024 Placement Agent Warrants and the common stock underlying the March 2024 Placement Agent Warrants were not registered under the Securities Act, pursuant to the registration statement of March 2024 Offering. The March 2024 Placement Agent Warrants were issued pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder.

The summary of warrant activities as of March 31, 2024 are as follows:

| | Warrants Outstanding | Exercisable Into Number of Shares | Weighted Average Exercise Price | Average Remaining Contractual Life |
|----------------------------|-------------------------|--|--|---|
| December 31, 2023 | 9,623,806 | 5,394,642 | \$ 19.45 | 4.54 |
| Granted | 40,514 | 40,514 | 1.37 | 4.99 |
| Exercised | 1,433,067 | 1,433,067 | 0.0001 | - |
| March 31, 2024 (unaudited) | 8,231,253 | 4,002,089 | \$ 23.11 | 4.23 |

The summary of warrant activities as of March 31, 2023 are as follows:

| | Warrants Outstanding | Exercisable Into Number of Shares | Weighted Average Exercise Price | Average Remaining Contractual Life |
|----------------------------|-------------------------|--|--|---|
| December 31, 2022 | 4,539,674 | 151,323 | \$ 172.5 | 0.36 |
| Granted/Acquired | - | - | - | - |
| Expired | 164,675 | 5,488 | 172.5 | 0.1 |
| Exercised | - | - | - | - |
| March 31, 2023 (unaudited) | 4,374,999 | 145,835 | \$ 172.5 | 0.36 |

Note 17 – Commitments and Contingencies

Contingencies

From time to time, the Company may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, the Company does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of operations or liquidity.

Note 18 – Segment Reporting

The Company follows ASC 280, Segment Reporting, which requires that companies disclose segment data based on how management makes decision about allocating resources to segments and evaluating their performance. The Company's chief operating decision maker, who has been identified as the Company's chief executive officer, evaluates performance and determines resource allocations based on a number of factors, the primary measure being income from operations.

As of March 31, 2024, the Company's remain business segment and operations is Virtual Content Production. The Company's consolidated results of operations and consolidated financial position from continuing operations are almost all attributable to Virtual Content Production; accordingly, management believes that the consolidated balance sheets and statement of operations provide the relevant information to assess Virtual Content Production's performance.

Note 19 – Discontinued Operations

The following depicts the result of operations for the discontinued operations of Highlight Media for the three months ended March 31, 2024 and 2023, respectively.

| | For the Three Months Ended | |
|--------------------------------------|----------------------------|---------------------|
| | March 31, | |
| | 2024 (unaudited) | 2023 (unaudited) |
| REVENUES | | |
| Enterprise brand management services | \$ - | \$ 75,374 |
| TOTAL REVENUES | - | 75,374 |
| COST OF REVENUES | | |
| Enterprise brand management services | - | 56,148 |
| TOTAL COST OF REVENUES | - | 56,148 |
| GROSS PROFIT | - | 19,226 |
| OPERATING EXPENSES | | |
| Selling, general and administrative | - | 36,607 |
| TOTAL OPERATING EXPENSES | - | 36,607 |
| LOSS FROM OPERATIONS | - | (17,381) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | - | 19 |
| Other income, net | - | 670 |
| Total other income, net | - | 689 |
| LOSS BEFORE INCOME TAXES | - | (16,692) |
| PROVISION FOR INCOME TAXES | - | - |
| NET LOSS | \$ - | \$ (16,692) |

Note 20 – Assets and Liabilities Measured at Fair Value

The following tables presents information about the Company's assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

| | March 31, 2024 (unaudited) | Quoted Prices In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---|----------------------------------|---|---|---|
| Assets | | | | |
| Notes receivable - DigiTrax Convertible Notes | \$ 1,073,151 | \$ — | \$ — | \$ 1,073,151 |
| Notes receivable - Liquid Convertible Notes | 1,583,726 | — | — | 1,583,726 |
| Total | \$ 2,656,877 | \$ — | \$ — | \$ 2,656,877 |
| | December 31, 2023 | Quoted Prices In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Assets | | | | |
| Notes receivable - DigiTrax Convertible Notes | \$ 1,048,219 | \$ — | \$ — | \$ 1,048,219 |
| Notes receivable - Liquid Convertible Notes | 1,553,808 | — | — | 1,553,808 |
| Total | \$ 2,602,027 | \$ — | \$ — | \$ 2,602,027 |

The Company evaluated the DigiTrax Convertible Notes and the Liquid Convertible Notes according to ASC 320 and concluded that these note receivables should be classified as available-for-sale security and measured at fair value. To evaluate the fair value of the available-for-sale security, the Company used the Binomial Tree Pricing Model. The fair value changes of these notes were recorded as other comprehensive income on the accompanying consolidated statements of operations at each reporting date. As a result of the unobservable inputs, the available-for-sale security was classified as Level 3 as of March 31, 2024 and December 31, 2023.

There were no transfers among the three hierarchies for the three months ended March 31, 2024 and 2023.

Note 21 – Subsequent events

On April 26, 2024, the Company appointed Mr. Lei Zhang as a director, chair of the Compensation Committee, and member of the Audit Committee and Nominating Committee and Mr. Yun Zhang as a director, chair of the Nominating Committee, and member of the Audit Committee and Compensation Committee of the Company, each of Mr. Lei Zhang and Mr. Yun Zhang will receive \$5,000 annual compensation, effective April 26, 2024.

On May 13, 2024, the Company received a written notice from the Listing Qualifications Department of the Nasdaq Stock Market, LLC ("Nasdaq") notifying the Company that, based on the closing bid price of the Company's common stock was below \$1.00 for the last 30 consecutive trading days, the Company no longer complies with the minimum bid price requirement (the "Minimum Bid Price Requirement") for continued listing on the Nasdaq Capital Market as set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has an initial compliance period of 180 calendar days, or until November 11, 2024, to regain compliance with the Minimum Bid Price Requirement.

If the Company does not regain compliance by November 11, 2024, the Company may be eligible for an additional 180 calendar day compliance period. To qualify, the Company would be required, among other things, to meet the continued listing requirement for market value of publicly held shares, as well as all other standards for initial listing on the Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and would need to provide written notice of its intention to cure the bid price deficiency during the second compliance period. If the Company does not regain compliance within the allotted compliance period(s), including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that the Company's common stock will be subject to delisting. The Company would then be entitled to appeal Nasdaq's determination to a Nasdaq Listing Qualifications Panel and request a hearing.

The Company intends to monitor the closing bid price of the common stock and consider its available options to resolve the noncompliance with the Minimum Bid Price Requirement. There can be no assurance that the Company will be able to regain compliance with the Nasdaq Capital Market's continued listing requirements or that Nasdaq will grant the Company a further extension of time to regain compliance, if applicable.

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

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with our unaudited condensed financial statements, and the notes to those unaudited condensed financial statements that are included elsewhere in this Report. All monetary figures are presented in U.S. dollars, unless otherwise indicated.

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national, and local general economic and market conditions; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; change in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; the risk of foreign currency exchange rate; and other risks that might be detailed from time to time in our filings with the SEC.

Although the 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 them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Overview

GD Culture Group Limited, formerly known as JM Global Holding Company, TMSR Holding Company Limited and Code Chain New Continent Limited, is a Nevada corporation and a holding company. The Company currently conducts its operations on virtual content production (the "Virtual Content Production") through the Company and two subsidiaries, AI Catalysis and Shanghai Xianzhui. The Company focuses its business mainly on 1) AI-driven digital human creation and customization; 2) Live streaming and e-commerce and 3) Live streaming interactive game. The company has relentlessly been focusing on serving its customers and creating value for them through the continual innovation and optimization of its products and services. The Company's current subsidiaries, Citi Profit, Highlight HK, Highlight WFOE, and previous subsidiaries, TMSR Holdings Limited ("TMSR HK") and Makesi WFOE are holding companies with no material operations.

For AI-driven digital human sector, the Company uses AI algorithms and software to generate realistic 3D or 2D digital human models. AI algorithms and machine learning models are used to simulate human characteristics, such as facial expressions, body movements, and even speech patterns. These models can be customized to create and personalize lifelike digital representations of humans. Customization may involve adjusting facial features, body proportions, skin textures, hair styles, clothing, and more. Once created and customized, digital humans find applications in a wide range of industries, including gaming, entertainment, advertising, education, and more. Depending on the specific industry and the application scenario, the Company helps the customers to define the objectives to achieve with digital humans, choose the technology for character customization, then create unique aviators and deploy in the chosen platform.

For live streaming and e-commerce sector, the Company applies digital human technology in live streaming e-commerce businesses. Livestream usage is taking off globally. The integration of cutting-edge AI digital human technologies and live streaming platforms will transform the way businesses, sellers and consumers engage in online commerce. Digital anchors can offer long-duration intelligent live broadcasting. It also supports customized avatars that perfectly adapt to different live streaming scenarios. The company has introduced online e-commerce businesses on TikTok.

For live streaming interactive game sector, the Company has launched a live-streamed game called "Tribble Light." This game is owned by the company, and we independently operate it. Currently, the game is being livestreamed on TikTok (TikTok account: almplify001). In addition to "Tribble Light," we have also introduced other licensed games on the same TikTok account, providing a diverse gaming experience for the players.

The Company aims to generate revenue from: 1) Service revenue and advertising revenue from digital human creation and customization; 2) Products' sales revenue from social live streaming e-commerce business; and 3) Virtual paid gifts revenue from live streaming interactive gaming.

Recent Development

Change of Auditor

On October 9, 2023, the Company notified its independent registered public accounting firm, Enrome LLP, its decision to dismiss Enrome LLP as the Company's auditor. On October 12, 2023, the Audit Committee and the Board of Directors of the Company approved the appointment of HTL as its new

independent registered public accounting firm to audit the Company's consolidated statements.

Investment in Shanghai Xianzhui

On August 10, 2023, Highlight WFOE, Beijing Hehe Property Management Co., Ltd. ("Beijing Hehe"), and a third party, established Shanghai Xianzhui under the laws of the People's Republic of China for social media marketing. Highlight WFOE owned 60% of the equity interest of Shanghai Xianzhui, Beijing Hehe owned 20% of the equity interest of Shanghai Xianzhui and the third party owned the remaining 20% of the equity interest of Shanghai Xianzhui.

On October 27, 2023, the Company entered into an equity purchase agreement with Highlight WFOE and Beijing Hehe, which was amended on November 10, 2023 (such equity purchase agreement, as amended, the "Agreement" for purpose of this section "Investment in Shanghai Xianzhui"), pursuant to which the Highlight WFOE agreed to purchase 13.3333% equity interest in Shanghai Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at \$2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. On January 11, 2024, the Company issued the 400,000 shares of its common stock to Beijing Hehe, at the price of \$2.5 per share, and the transaction was completed. As of March 31, 2024, the Company owns 73.3333% of the total equity interest of Shanghai Xianzhui.

Registered Direct Offering

On March 26, 2024, the Company issued 810,277 shares of common stock in a registered direct offering. See Note 16 of the notes to the unaudited condensed consolidated financial statements.

Key Factors that Affect Operating Results

Competition

E-commerce and live streaming is a competitive industry. Our competition varies and includes content creators on TikTok and other social media platform. Each of these competitors competes with us based on quality of content, activeness and responsiveness on the social placement, product selection, product quality, customer service, price, store format, location, or a combination of these factors. Some of these competitors may have been in business longer, may have more experience, or may have greater financial or marketing resources than us. As competition intensifies, our results of operations may be negatively impacted through a loss of sales and decrease in market share.

Retention of Key Management Team Members

Our management team comprises executives with extensive experience in technology and content creation. The management team has led us to take leaps in deploying AI technology in live-streaming, e-commerce, gaming and other sectors. The loss of any of our key executive team member might affect our business and our result of operation.

Our Ability to Grow Market Presence and Penetrate New Markets

We are still in an early development stage. We intend to expand our presence on social media to increase the market presence. If we cannot grow market presence and penetrate new markets in an effective and cost-efficient way, our results of operation will be negatively impacted.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic did not have a material impact on our business or results of operation for the three months ended March 31, 2024 and 2023. However, the extent to which the COVID-19 pandemic may negatively impact the general economy and our business is highly uncertain and cannot be accurately predicted. These uncertainties may impede our ability to conduct our operations and could materially and adversely affect our business, financial condition and results of operations, and as a result could adversely affect our stock price and create more volatility.

Results of Operations

For Three Months Ended March 31, 2024 vs. March 31, 2023

| | For Three Months Ended March 31, | | Change | Percentage Change |
|---|-------------------------------------|--------------------|-----------------------|----------------------|
| | 2024 | 2023 | | |
| Operating expenses | \$ 4,178,447 | \$ 4,617 | \$ 4,173,830 | 90,401.3% |
| Loss from operations | (4,178,447) | (4,617) | (4,173,830) | 90,401.3% |
| Other income, net | 21,946 | - | 21,946 | 100.0% |
| Loss before income tax from continuing operations | (4,156,501) | (4,617) | (4,151,884) | 89,926.0% |
| Provision for income taxes | 1,038 | - | 1,038 | 100.0% |
| Loss from continuing operations | (4,157,539) | (4,617) | (4,152,922) | 89,948.5% |
| Net loss attributable to noncontrolling interest | (178,911) | - | (178,911) | (100.0)% |
| Loss from continuing operations attributable to GD Culture Group Limited | (3,978,628) | (4,617) | (3,974,011) | 86,073.4% |
| Discontinued operations: | | | | |
| Loss from discontinued operations | - | (16,692) | 16,692 | (100.0)% |
| Net Loss | \$ (4,157,539) | \$ (21,309) | \$ (4,136,230) | 19,410.7% |

Operating Expenses

The Company's operating expenses include selling and marketing ("S&M") expenses, general and administrative ("G&A") expenses, research and development ("R&D") expenses. S&M expenses increased to approximately \$2.2 million for the three months ended March 31, 2024, compared to nil for the three months ended March 31, 2023. The increase was mainly due to the Company increased inputs on digital human and e-commerce live

streaming marketing and advertising to improve its brand reputation, attract a large following on social media. G&A expenses increased by approximately \$1.8 million from \$4,617 for the three months ended March 31, 2023 to approximately \$1.8 million for the three months ended March 31, 2024. The increase was mainly due to the combined impact of (i) the expansion of our administrative associated personnel cost, (ii) increase in operating and lease expenses for offices, (iii) increase in the professional service fee and (iv) amortization of intangible assets. R&D expenses increased to \$217,500 for the three months ended March 31, 2024, compared to nil for the three months ended March 31, 2023. The increase was mainly due to the Company increased inputs on research and development about our artificial intelligence based digital human application, to create unconventional digital characters and customize digital humans to support the clients' marketing efforts.

Other Income, Net

The Company's other income increased by approximately \$22 thousand during the three months ended March 31, 2024, compared to nil for the three months ended March 31, 2023. The increase was mainly due to the interest income earned from the loan to a third party.

Loss from Continuing Operations

As a result of the foregoing, loss from continuing operations for the three months ended March 31, 2024 was approximately \$4.1 million, an increase of approximately 89,948.5%, from loss from continuing operations of \$4,617 for the three months ended March 31, 2023.

Net Loss

The Company's net loss increased by approximately \$4.1 million, or 19,410.7%, to approximately \$4.2 million net loss for the three months ended March 31, 2024, from \$21,309 net loss for the three months ended March 31, 2023. The increase was mainly due to the combined impact of (i) the expansion of our administrative associated personnel cost, (ii) increase in operating and lease expenses for offices and (iii) increase in researching and development about our artificial intelligence based digital human application.

Critical Accounting Policies and Estimates

The Company prepares its unaudited condensed consolidated financial statements in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires the Company to make estimates, assumptions and judgments that can significantly impact the amounts the Company reports as assets, liabilities, revenue, costs and expenses and the related disclosures. The Company bases its estimates on historical experience and other assumptions that it believes are reasonable under the circumstances. The Company's actual results could differ significantly from these estimates under different assumptions and conditions. The Company has identified the following key accounting estimates:

Convertible Notes Receivable

The Company evaluated the terms of the DigiTrax Convertible Notes and the Liquid Convertible Notes (as defined in Note 12 of the unaudited condensed consolidated financial statements) according to ASC 320 "Investments — Debt Securities" and concluded that the convertible notes should be classified as an available-for-sale security and measured at fair value. To evaluate the fair value of the available-for-sale security, the Company used the valuation methodology of income approach, which is determined by the future cash flow forecast. The fair value changes of these notes were recorded as accumulated other comprehensive income on the accompanying unaudited condensed consolidated statements of operations and comprehensive loss for the three months ended as of the reporting period.

Impairment of long-lived assets

The Company's determination of whether or not an indication of impairment exists at the cash generating unit level requires significant management judgment pertaining to intangible assets, including a copyright of a broadcast game (the "Tribal Light") and 55 digital humans, which are used for online living-stream, as well as the operating Right-of-use ("ROU") assets, including the offices of the Company. Management considers both external and internal sources of information in assessing whether there are any indications that the Company's intangible assets and ROU assets are impaired.

Recently Issued Accounting Pronouncements

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company has evaluated and concluded that there's no impact of the new guidance on the unaudited condensed consolidated financial statements. The Company adopted ASU 2021-08 since January 1, 2024.

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions", which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company has evaluated and concluded that there's no impact of the new guidance on the unaudited condensed consolidated financial statements. The Company adopted ASU 2022-03 since January 1, 2024.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company's management does not believe the adoption of ASU 2023-09 will have a material impact on its financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The purpose of the amendment is to enable investors to better understand an entity's overall performance and assess potential future cash flows. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. The Company will begin providing the enhanced reportable segment financial disclosures effective with its Annual Report on Form 10-K for the year ending December 31, 2024.

In December 2023, the FASB issued ASU 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of

Crypto Assets, which establishes accounting guidance for crypto assets meeting certain criteria. Bitcoin meets this criteria. The amendments require crypto assets meeting the criteria to be recognized at fair value with changes recognized in net income each reporting period. Upon adoption, a cumulative-effect adjustment is made to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company has evaluated and concluded that there's no impact of the new guidance on the unaudited condensed consolidated financial statements. The Company adopted ASU 2022-08 since January 1, 2024.

We do not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on our consolidated balance sheets, statements of operations and comprehensive loss and statements of cash flows.

Liquidity and Capital Resources

The Company has funded working capital and other capital requirements primarily by equity contributions. Cash is required to repay debts and pay salaries, office expenses and other operating expenses. As of March 31, 2024, our net working capital was approximately \$5.6 million.

We believe that current levels of cash and cash flows from operations will be sufficient to meet its anticipated cash needs for at least the next twelve months from the date the unaudited condensed consolidated financial statements to be issued. However, it may need additional cash resources in the future if it experiences changed business conditions or other developments, and may also need additional cash resources in the future if it wishes to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If it is determined that the cash requirements exceed the Company's amounts of cash and cash equivalents on hand, the Company may seek to issue debt or equity securities or obtain additional credit facility.

The following summarizes the key components of the Company's cash flows for the three months ended March 31, 2024 and 2023.

| | For the Three Months Ended March 31, | |
|---|---|---------------------|
| | 2024 | 2023 |
| Net cash used in operating activities | \$ (3,617,910) | \$ (380,634) |
| Net cash used in investing activities | (1,900,000) | - |
| Net cash provided by financing activities | 830,533 | - |
| Effect of exchange rate change on cash and cash equivalents | (1,940) | 1,695 |
| Net change in cash and cash equivalents | <u>\$ (4,689,317)</u> | <u>\$ (378,939)</u> |

As of March 31, 2024 and December 31, 2023, the Company had cash in the amount of \$486,201 and \$5,175,518, respectively. As of March 31, 2024 and December 31, 2023, \$44,377 and \$211,222 were deposited with one financial institution located in the PRC, respectively. As of March 31, 2024 and December 31, 2023, \$441,824 and \$4,964,296 were deposited with one financial institution located in the United States, respectively.

Operating activities

Net cash used in operating activities was approximately \$3.6 million for the three months ended March 31, 2024, as compared to approximately \$0.4 million net cash used in operating activities for the three months ended March 31, 2023. Net loss for the three months ended March 31, 2024 was approximately \$4.2 million, as compared to approximately \$21 thousands for the three months ended March 31, 2023. Adjustments to reconcile net loss to net cash used in operating activities increased by approximately \$0.3 million, mainly due to the increased amortization of intangible assets and right - of - use assets, and changes in operating assets and liabilities increased approximately \$0.6 million.

Investing activities

Net cash used in investing activities was approximately \$1.9 million for the three months ended March 31, 2024, as compared to nil for the three months ended March 31, 2023. Net cash used in investing activities was increased by approximately \$1.9 million, due to the increase of the loan to a third party.

Financing activities

Net cash provided by financing activities was approximately \$0.8 million for the three months ended March 31, 2024, as compared to nil net cash provided by financing activities for the three months ended March 31, 2023. Net cash provided by financing activities was mainly due to approximately \$0.8 million proceeds from the issuance of common stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Credit risk is one of the most significant risks for the Company's business.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. Cash held at major financial institutions located in the PRC are not insured by the government. While we believe that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposed to credit risk. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Company manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. To minimize credit risk, the Company normally require prepayment from the customers prior to begin production or delivery products. The Company identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

In measuring the credit risk of our sales to our customers, the Company mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the exposures to the customer and its likely future development.

Liquidity Risk

The Company is also exposed to liquidity risk which is risk that it is unable to provide sufficient capital resources and liquidity to meet its commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, the Company will turn to other financial institutions and the owners to obtain short-term funding to meet the liquidity shortage.

Inflation Risk

The Company is also exposed to inflation risk. Inflationary factors, such as increases in raw material and overhead costs, could impair our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and operating expenses as a percentage of sales revenue if the selling prices of our products do not increase with such increased costs.

Foreign Currency Risk

A majority of the Company's operating activities and a significant portion of the Company's assets and liabilities are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the Peoples' Bank of China ("PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer, President and Chief Financial Officer (the "Certifying Officers"), we carried out an evaluation 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 Exchange Act. Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Report.

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the 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 in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the information included in this Quarterly Report on Form 10-Q and the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 before making an investment in our common stock. Our business, financial condition, results of operations, or prospects could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There are no material changes to the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including those set forth below.

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

On August 10, 2023, Highlight WFOE, Beijing Hehe, and a third party, established Sha SH Xianzhui under the laws of the People's Republic of China for social media marketing. Highlight WFOE owns 60% of the equity interest of SH Xianzhui, Beijing Hehe owns 20% of the equity interest of the Joint Venture and the third party owns the remaining 20% of the equity interest of the Joint Venture.

On October 27, 2023, the Company entered into an equity purchase agreement with Highlight WFOE and Beijing Hehe, which was amended on November 10, 2023 (such equity purchase agreement, as amended, the "Agreement" for purpose of this section), pursuant to which Highlight WFOE agreed to purchase 13.3333% equity interest in SH Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at \$2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. On January 11, 2024, the Company issued the 400,000 shares of its common stock to Beijing Hehe and the transaction was completed. As of the date of this Quarterly Report on Form 10-Q, the Company owns 73.3333% of the total equity interest of Shanghai Xianzhui.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

40

ITEM 6. EXHIBITS

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

| Exhibit Number | Description |
|----------------|---|
| 31.1 | Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a). |
| 31.2 | Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a). |
| 32.1 | Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350. |
| 32.2 | Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350. |
| 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). |

41

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on May 20, 2024.

GD CULTURE GROUP LIMITED

May 20, 2024

By: /s/ Xiaojian Wang
Name: Xiaojian Wang
Title: Chief Executive Officer, President and
Chairman of the Board

May 20, 2024

By: /s/ Zihao Zhao
Name: Zihao Zhao
Title: Chief Financial Officer and Secretary
(Principal Financial Officer and
Principal Accounting Officer)

42

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Xiao Jian Wang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2024 of GD Culture Group Limited.;
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:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control 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: May 20, 2024

By: /s/ Xiao Jian Wang

Xiao Jian Wang
Chief Executive Officer, President and
Chairman of the Board
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zihao Zhao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2024 of GD Culture Group Limited.;
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:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control 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: May 20, 2024

By: /s/ Zihao Zhao
Zihao Zhao
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002**

I, Xiao Jian Wang, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited. (the "Company") for the quarterly period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2024

By: /s/ Xiao Jian Wang
Xiao Jian Wang
Chief Executive Officer, President and
Chairman of the Board
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

**CERTIFICATION PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002**

I, Zihao Zhao, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited (the "Company") for the quarterly period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2024

By: /s/ Zihao Zhao
Zihao Zhao
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.