

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

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

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)

Nevada	47-3709051
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
22F - 810 Seventh Avenue, New York, NY	10019
(Address of principal executive offices)	(Zip Code)

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

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 per share	GDC	The Nasdaq Stock Market LLC

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

None
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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
Non-accelerated filer Accelerated filer
Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock outstanding held by non-affiliates of the registrant, computed by reference to the closing sales price for the common stock of \$4.27 as of such date, as reported on the Nasdaq Capital Market, was \$ 12,654,414 .

As of April 1, 2024, there were 7,887,411 shares of common stock, par value \$0.0001 per share, of the registrant issued and outstanding.

TABLE OF CONTENTS

		PAGE
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	18
Item 1B.	Unresolved Staff Comments	36
Item 1C.	Cybersecurity	37
Item 2.	Properties	37
Item 3.	Legal Proceedings	37
Item 4.	Mine Safety Disclosures	37
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	38
Item 6.	[Reserved]	41
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	41
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	50
Item 8.	Financial Statements and Supplementary Data	50
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	50
Item 9A.	Controls and Procedures	50
Item 9B.	Other Information	52
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	52
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	53
Item 11.	Executive Compensation	58
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	60
Item 13.	Certain Relationships and Related Transactions, and Director Independence	61
Item 14.	Principal Accounting Fees and Services	62
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	63
Item 16.	Form 10-K Summary	67

Conventions that Apply to this Annual Report

Unless otherwise indicated or the context requires otherwise, references in this annual report (the "Report") to:

- "AI Catalysis" are to AI Catalysis Corp., a Neveda company, which is wholly owned by GDC;
- "Citi Profit" are to Citi Profit Investment Holding Limited, a British Virgin Islands company, which is wholly owned by GDC;
- "GDC" and the "Company" are to GD Culture Group Limited (formerly known as JM Global Holding Company, TMSR Holding Company Limited and Code Chain New Continent Limited), a Nevada Corporation;
- "Highlight HK" are to Highlights Culture Holding Co., Limited, a Hong Kong SAR company, which is wholly owned by Citi Profit;
- "Highlight WFOE" are to Shanghai Highlight Entertainment Co., Ltd., a PRC company, which is wholly owned by Highlight HK;
- "PRC" or "China" are to the People's Republic of China, excluding, for the purpose of this report, Taiwan, Hong Kong and Macau;
- "RMB" or "Renminbi" are to the legal currency of China; and
- "Shanghai Xianzhu" are to Shanghai Xianzhu Technology Co., Ltd., a joint venture, of which Highlight Entertainment Co. Ltd. owns 73.3333% of the total equity interest;
- "we", "our", "us" are to the Company and its subsidiaries;
- "Yuan Ma" are to Shanghai Yuanma Food and Beverage Management Co., Ltd., a PRC company, which is a variable interest entity for accounting purposes;
- "\$", "US\$" or "U.S. Dollars" are to the legal currency of the United States.

Unless otherwise indicated, all references to common stock, warrants to purchase common stock, share data, per share data, and related information have been retroactively adjusted, where applicable, in this Report to reflect a 1-to-30 reverse stock split of our common stock which became effective on November 9, 2022 as if they had occurred at the beginning of the earlier period presented.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report 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 Report 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 virtual content production industry;
- future sales of large blocks or 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."

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 Report, to conform these statements to actual results or to changes in our expectations.

iii

PART I

Item 1. Business

Overview

GD Culture Group Limited (formerly known as JM Global Holding Company, TMSR Holding Company Limited, and Code Chain New Continent Limited), focuses its business on three segments mainly through the Company and two subsidiaries, AI Catalysis and Shanghai Xianzhi : 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.

For AI-driven digital human creation and customization 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 avatars 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 under different accounts.

For live streaming interactive game sector, the Company has launched a live-streamed game called "Tribal Light." This game is owned by the company, and we independently operate it. Currently, the game is being livestreamed on TikTok (TikTok account: almply001). In addition to "Tribal Light," we have also introduced other licensed games on the same TikTok account, providing a diverse gaming experience for the players.

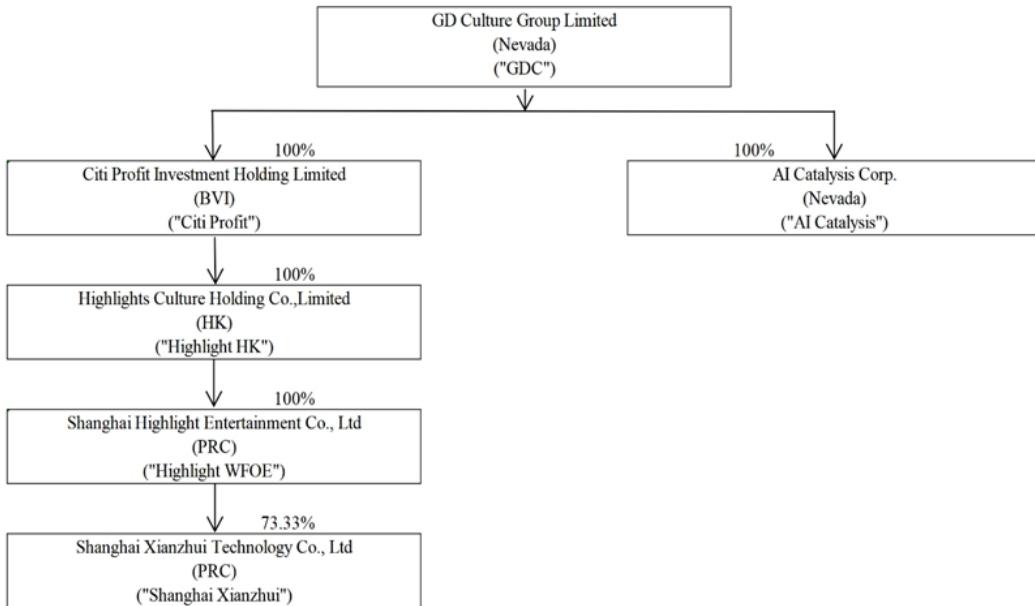
We aim to generate revenue from: 1) Service revenue and advertising revenue from digital human creation and customization; 2) Products' sales revenue from social live streaming e-commerce business; and 3) Virtual paid gifts revenue from live streaming interactive gaming.

Our principal executive office is located at 810 Seventh Avenue, 22nd Floor, New York, NY 10019, and our telephone number is: +1-347-2590292.

1

Corporate History and Structure

The following is an organizational chart setting forth our corporate structure as of the date of this Report.



GDC, formerly known as Code Chain New Continent Limited, TMSR Holding Company Limited and JM Global Holding Company, was a blank check company incorporated in Delaware on April 10, 2015. The Company was formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, exchangeable share transaction or other similar business transaction, one or more operating businesses or assets. On June 20, 2018, the Company consummated the reincorporation. As a result, the Company changed its state of incorporation from Delaware to Nevada and implemented a 2-for-1 forward stock split of the Company's common stock.

Citi Profit is a company formed under the laws of the British Virgin Islands in August 2019 and is wholly owned by GDC. It is a holding company with no material operations of its own.

Highlight HK is a company formed under the laws of Hong Kong SAR in November 2022 and is wholly owned by Citi Profit. It is a holding company with no material operations of its own.

Highlight WFOE or Shanghai Highlight is a company formed under the laws of the PRC in January 2023 and is wholly owned by Highlight HK. It is a holding company with no material operations of its own.

Shanghai Xianzhi is a company formed under the laws of the PRC in August 2023 for social media marketing purposes. It is a joint venture, of which Highlight WFOE owns 73.3333% of the total equity interest.

AI Catalysis is a company formed under the laws of Nevada in May 2023, and is a wholly-owned subsidiary of GDC. It is an operating company focusing on AI-driven digital human creation and customization, live streaming and e-commerce, and live streaming interactive game.

As previously disclosed in the current reports on Form 8-K of the Company filed on September 19, 2022 and February 28, 2023, on September 16, 2022, Makesi IoT Technology (Shanghai) Co., Ltd., a then indirect subsidiary of the Company ("Makesi WFOE"), Shanghai Highlight Media Co., Ltd., a PRC company ("Highlight Media"), and the shareholders of Shanghai Highlight (the "Highlight Media Shareholders") entered into certain Technical Consultation and Services Agreement., Equity Pledge Agreement, Equity Option Agreement, Voting Rights Proxy and Financial Support Agreement, which was assigned by Makesi WFOE to Highlight WFOE on February 27, 2023 (such agreements, as assigned, the "VIE Agreements"). The VIE Agreements established a "Variable Interest Entity" (VIE) structure, pursuant to which the Company treated Highlight Media as a consolidated affiliated entity and consolidated the financial results and balance sheet of Highlight Media in the Company's consolidated financial statements under accounting principles generally accepted in the United States of America ("U.S. GAAP").

On September 26, 2023, Highlight WFOE entered into a termination agreement (the "Termination Agreement") with Highlight Media, the Highlight Media Shareholders and a third party to terminate the VIE Agreements and for the third party to pay the Company \$100,000 as consideration to the termination of the VIE Agreements. As a result of such termination, the Company will no longer treat Highlight Media as a consolidated affiliated entity or consolidate the financial results and balance sheet of Highlight Media in the Company's consolidated financial statements under U.S. GAAP.

Reverse Stock Split

On November 4, 2022, the Company filed a Certificate of Amendment to the Articles of Incorporation (the "Certificate of Amendment") with the Nevada Secretary of State to effect a reverse stock split of the outstanding shares of common stock, par value \$0.0001 per share, of the Company at a ratio of one-for-thirty (30), which became effective at 12:01 a.m. on November 9, 2022. Upon effectiveness of the reverse stock split, every thirty (30) outstanding shares of common stock were combined into and automatically became one share of common stock. The Company's warrants (OTC Pink: CCNCW) was adjusted so that each warrant is to purchase one-half of one shares of common stock at a price of \$86.40 per half share (\$172.50 per whole share). The warrants expired on February 5, 2023.

Unless otherwise indicated, all references to common stock, warrants to purchase common stock, share data, per share data, and related information have been retroactively adjusted, where applicable, in this Report to reflect the reverse stock split of our common stock as if they had occurred at the beginning of the earlier period presented.

Name Change

Effective as of January 10, 2023, the Company changed its corporate name from "Code Chain New Continent Limited" to "GD Culture Group Limited" pursuant to a Certificate of Amendment to the Company's Articles of Incorporation. In connection with the name change, effective as of the opening of trading on January 10, 2023, the Company's common stock is trading on the Nasdaq Capital Market under the ticker symbol "GDC".

Impact of the COVID-19 Pandemic

The COVID-19 pandemic did not have a material impact on our business or results of operation during the fiscal years ended December 31, 2023 and 2022. 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.

Recent Regulatory Developments

On January 4, 2022, the Cyberspace Administration of China, or CAC, issued the revised Measures on Cyberspace Security Review (the "Revised Measures"), which came into effect on February 15, 2022. Under the Revised Measures, any "network platform operator" controlling personal information of no less than one million users which seeks to list in a foreign stock exchange should also be subject to cyber security review.

We believe Shanghai Xianzhi is not a "network platform operator" who control over one million personal information as mentioned above, given that: (i) Shanghai Xianzhi does not possess a large amount of personal information in our business operations and (ii) data processed in Shanghai Xianzhi's business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. As such, we believe Shanghai Xianzhi is not currently subject to the cyber security review by the CAC. However, the definition of "network platform operator" is unclear and it is also unclear on how it will be interpreted and implemented by the relevant PRC governmental authorities. See "Risk factors — Risk Factors Related to Doing Business in China — Shanghai Xianzhi may become subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. Shanghai Xianzhi may be required to suspend its business, be liable for improper use or appropriation of personal information provided by our customers or face other penalties."

On July 6, 2021, the relevant PRC governmental authorities made public the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions were recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. As of the date of this Report, we have not received any inquiry, notice, warning, or sanctions regarding listing abroad or offshore offering from the China Securities Regulatory Commission ("CSRC") or any other PRC governmental authorities. See "Risk Factors — Risk Factors Related to Doing Business in China — The Chinese government exerts substantial influence over the manner in which we must conduct our business activities. We are currently not required to obtain approval from Chinese authorities to list on U.S exchanges, however, if Shanghai Xianzhi or GDC were required to obtain approval in the future and were denied permission from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchange and the value of our common stock may significantly decline or become worthless, which would materially affect the interest of the investors."

On February 17, 2023, the CSRC released the Trial Administrative Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the "Trial Measures") and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and report relevant information to the CSRC. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. As a listed company, we believe that we and all of our PRC subsidiaries are not required to fulfill filing procedures with the CSRC to continue to offer our securities, or continue listing on the Nasdaq Capital Market. However, there are substantial uncertainties regarding the interpretation and application of the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors ("M&A Rules"), other PRC Laws and future PRC laws and regulations, and there can be no assurance that any governmental agency will not take a view that is contrary to or otherwise different from our belief stated herein. See "Risk Factors - Risk Factors Relating to Doing Business in China - The CSRC has released the Trial Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the "Trial Measures"). With such rules in effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to continue to offer our securities to investors and could cause the value of our securities to significantly decline or become worthless."

We believe that we are currently not required to obtain any permission or approval from the CSRC and the CAC in the PRC to issue securities to foreign investors. However, there is no guarantee that this will continue to be the case in the future in relation to any future offerings of our company or the continued listing of our company's securities on the Nasdaq Capital Market, or even in the event such permission or approval is required and obtained, it will not be subsequently revoked or rescinded. If we do not receive or maintain the approvals, or we inadvertently conclude that such approvals are not required, or applicable laws, regulations, or interpretations change such that we are required to obtain approval in the future, we may be subject to an investigation by competent regulators, fines or penalties, or an order prohibiting us from conducting an offering, and these risks could result in a material adverse change in our operations and the value of our securities, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless.

Implication of the Holding Foreign Company Accountable Act

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The HFCAA states that if the SEC determines that an issuer's audit reports issued by a registered public accounting firm have not been subject to inspection by the Public Company Accounting Oversight Board (United States) (the "PCAOB") for three consecutive years beginning in 2021, the SEC shall prohibit such issuer's securities from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. We will be required to comply with these rules if the SEC identifies us as having a "non-inspection" year under a process to be subsequently established by the SEC. If we fail to meet the new rules before the deadline specified thereunder, we could face possible prohibition from trading on a national securities exchange or on the OTC Markets, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our securities trading in the United States. On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, legislation entitled "Consolidated Appropriations Act, 2023" (the "Consolidated Appropriations Act") was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA

by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On August 26, 2022, the CSRC, the Ministry of Finance of the PRC (the "MOF"), and the PCAOB signed a Statement of Protocol (the "Protocol"), governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the U.S. Securities and Exchange Commission (the "SEC"), the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB will consider the need to issue a new determination.

Our previous auditor, Enrome LLP, has been inspected by the PCAOB on a regular basis in the audit period. Our current auditor, HTL International, LLC ("HTL"), has been inspected by the PCAOB on a regular basis as well. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate. Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, an exchange may determine to delist our securities. See "Risk Factors—Risks Related to Doing Business in China — The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies."

Asset Transfer between our Company and our Subsidiaries

During the fiscal years ended December 31, 2023, GDC transferred a total of \$2,100,000 to its subsidiary AI Catalysis Corp.

During the fiscal years ended December 31, 2022, there was no transfer of assets between GDC and its subsidiaries.

Our Products and Services

GDC operates in the following distinct business sectors through the Company and two subsidiaries, AI Catalysis Corp. and Shanghai Xianzhu: 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.

1. AI-Driven Digital Human

- Digital Human Creation and Customization

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.

- Digital Human Technology Application

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 avatars and deploy in the chosen platform.

The Company currently plans to generate lifelike digital humans for the following key business areas:

• Virtual Influencers and Social Media

The Company aims to create digital humans to gain popularity as virtual influencers on social media platforms. These virtual personalities can collaborate with brands and engage with followers, blurring the line between fiction and reality.

A well-thought-out narrative to create digital characters with diversified personal identity, appearance, storytelling, and actions can resonate with its audience and influence them on notable social media platforms. It aims to attract a large following on social media and has the ability to produce responsible content 24/7. The Company also uses open source AI tools to create unconventional digital characters and videos.

• Online Marketing and Advertising

Digital humans can be used in marketing campaigns and advertisements to engage with consumers. They can serve as virtual brand ambassadors or spokespersons, providing a more personal and interactive experience. The Company creates customized digital humans to support the clients' marketing efforts.

2. E-Commerce and Live Streaming

- Digital Human in E-Commerce and Live Streaming

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.

- E-Commerce on Social Media Platforms

The company has introduced online e-commerce businesses on TikTok. Our focus is on capturing TikTok's popular trend by offering carefully selected product choices with smooth delivery. We aim to redefine the online shopping experience by providing a diverse range of products with real-time interaction capabilities. Currently, our product offerings include popular Asian snacks, small home appliances, gardening tools, 3C products, and more. We plan to introduce additional product types, such as Asian branded beauty products, personal care, fashion, and more trending popular items in Asia, to TikTok consumers.

- E-Commerce Live Streaming Businesses

The Company intends to expand its e-commerce offerings on the social media platform into live-streaming. We plan to diversify our livestream hosts by incorporating different styles and personalities. In addition to the real-time improvisation by hosts during each live streaming session, our community interactions generate another form of content. The variety of real-time interactions between viewers and hosts or among viewers creates viewer-generated content, which becomes part of the overall entertainment and social experience offered on our platform. Such content enhances the sense of involvement and makes it more enjoyable to watch live streaming while customers are shopping online.

3. Live Streaming Interactive Game

The Company has launched a live-streamed game called "Trible 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 "Trible Light," we have also introduced other licensed games on the same TikTok account, providing a diverse gaming experience for the players.

These interactive live streaming games on the TikTok platform are specifically designed for young game enthusiasts worldwide. They offer real-time and immersive gaming experiences, where viewers can actively participate as players during the livestream. Our livestream hosts enhance the experience by providing commentary, tips, and insights to engage and excite the players. Furthermore, this unique live streaming format allows viewers to gift virtual tokens to their favorite hosts, fostering a sense of community among our gaming audience.

This innovative gaming style is already popular in Asia which offers instant, thrill-packed experiences for TikTok enthusiasts. The game is user-friendly, entertaining, and available whenever players decide to participate. We plan to continuously diversify our game offerings to provide more enjoyable options based on viewers' preferences. AI Catalysis intends to expand anchor personalities. Currently, the company has collaborated with two hosts - one with a great sense of humor and another with keen gaming insights. The game has gained significant momentum and has captured the attention of many TikTok users.

AI Catalysis plans to diversify its game offerings and collaborate with various TikTok personalities. In both e-commerce and live streaming and live streaming interactive game business sectors, AI Catalysis is committed to serving the TikTok audience 24/7. We also have plans to introduce digital hosts to ensure continuous entertainment.

Revenue Model

We aim 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; 3) Virtual paid gifts revenue from live streaming interactive gaming.

1. Digital Human Creation and Customization Services

The Company will monetize our services through:

- **Services fee for custom avatar creation:** to provide customized services to our customers for designing and generating unique digital human avatars. Our target customers are mainly individuals or small and medium-sized businesses ("SMB") in the consumer industry. For SMB customers, digital humans can be used in advertising and marketing campaigns to create engaging content, or engaging with consumers on social media platforms as a brand ambassador or spokespeople to increase brand visibility and loyalty. We can also provide ongoing maintenance, updates, and support for their digital humans. Based on the scope of work and complexity of the project, the company provides advice, project planning, and strategy development in exchange for consulting fees.
- **Advertising partnership fee:** When the Company's own virtual influencers gain a significant following or visibility on the social media platforms, we consider partnering with brands for sponsored content or advertising opportunities related to the digital human work.
- **Licensing fee:** license the right to clients to use, deploy, or integrate digital human avatars or characters created by the company for a fee. Licensing agreements can vary based on usage, duration, and exclusivity.

2. Social and Live Streaming E-Commerce Gross Merchandise Value

- **Product sales:** Hosts or influencers showcase products, answer questions from viewers, and encourage viewers to make purchases of the products in real time during live streaming.
- **Virtual gifts and tipping:** Viewers have the option to send virtual gifts or tips to hosts or influencers during live streams. These virtual gifts are purchased with real money, and the platform and the host/influencers share the revenue generated from virtual gifting.

3. Live Streaming Interactive Gaming

- **Virtual paid gifts:** Virtual paid gifts from viewers are the main revenue source for the live streaming gaming industry. Virtual gifting is a considerably successful business model that stimulates streamers' content generation and viewer-streamer interactions. Live streaming platforms earn revenues from sales of paid gifts, and streamers earn a proportion of the received gifts or donations or tips from fans.

Our Customers

AI Catalysis' main business is conducting virtual human live streams and bullet chat game broadcasts on TikTok, with expected revenue primarily coming from user tips.

Our Suppliers

The Company's top three suppliers are Lida Global Limited, Shanghai Alliance Information Technology Co., Ltd. and Jinhe Capital Limited.

Employees

As of April 1, 2024, our Company has 8 full-time employees in total.

We have not experienced any significant labor disputes and consider our relationship with our employees to be good. Our employees are not covered by any collective bargaining agreement.

As we continue to expand our business, we believe it is critical to hire and retain top talent. We believe we have the ability to attract and retain high quality talents based on our competitive salaries, annual performance-based bonus system, and equity incentive program for senior employees and executives.

Recent Development

Disposition of Wuge

On September 28, 2022, the Company entered into a termination agreement with Wuge and the shareholders of Wuge, i.e., Wei Xu, former Chief Executive Officer, President and Chairman of the Board of the Company, and Bibo Lin, former Vice President and Director of the Company, and two entities controlled by Wei Xu, to terminate certain technical consultation and services agreement, equity pledge agreement, equity option agreement, voting rights proxy and financial support agreement, by and among Makesi WFOE, Wuge, and the shareholders of Wuge. As a result, Wuge ceased to be a VIE of Makesi WFOE and operations of Wuge have been designated as discontinued operations. In exchange for such termination, on March 9, 2023, the Company cancelled 133,333 shares of common stock that were issued to the shareholders of Wuge in January 2020.

Registered Direct Offering ("May 2023 Offering")

On May 1, 2023, the Company entered into a placement agency agreement, with Univest Securities, LLC, as the placement agent. Pursuant to the placement agency agreement, the placement agent agrees to use its reasonable best efforts to sell the Company's common stock in a registered direct offering (the "RD Offering"), and a concurrent private placement (the "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 us or to arrange for the purchase or sale of any specific number or dollar amount of securities.

In the RD Offering, 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 (the "Pre-Funded Warrants", and the common stock underlying such warrants, the "Pre-Funded Warrant Shares") are sold to certain purchasers (the "Purchasers"), pursuant to a securities purchase agreement, dated May 1, 2023 (the "RD Securities Purchase Agreement"). The purchase price of each share of common stock is \$8.27. The purchase price of each Pre-funded Warrant is \$8.269, which equals the price per common stock being sold to the public in the May 2023 Offering, minus \$0.001. The RD Offering is being made pursuant to a 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 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 the concurrent PIPE Offering, warrants to purchase up to 1,154,519 shares of common stock (the "Unregistered Warrants", and the common stock underlying such warrants, the "Unregistered Warrant Shares") are also sold to the Purchasers, pursuant to a private warrant securities purchase agreement, dated May 1, 2023. The Unregistered Warrants are exercisable immediately after issuance and will expire five (5) years from the date of issuance. The Exercise Price of the Unregistered Warrants is \$8.27, subject to adjustment as provided in the form of Unregistered Warrants.

The Company also paid the placement agent a total cash fee equal to 7.0% of the aggregate gross proceeds received in the May 2023 Offering and a non-accountable expense allowance equal to 1% of the aggregate gross proceeds. The placement agent were also reimbursed for certain out-of-pocket accountable expenses incurred in this offering up to \$150,000. The placement agent also received warrants to purchase up to 115,452 shares of common stock (equal to 5.0% of the aggregate number of common stocks, Pre-Funded Warrant Shares, and the Unregistered Warrant Shares) at an exercise price of \$9.924 per share, which represents 120% of the offering price of each share of common stock. The placement agent's warrants will have substantially the same terms as the Unregistered Warrants.

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 \$8.53 million (assuming the Unregistered Warrants are not exercised). The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

Amendment to the May 2023 Offering

On May 16, 2023, the Company entered into an amendment to the RD Securities Purchase Agreement with the Purchasers, pursuant to which the purchase price of each share of common stock was increased to \$8.35 and the purchase price of each Pre-funded Warrant was increased to \$8.349. Concurrently, the Company entered into an amendment to the PIPE Securities Purchase Agreement with the Purchasers, pursuant to which the exercise price of each Unregistered Warrant was increased to \$8.35 per share of common stock. The Company will receive net proceeds of \$84,972.60, after deducting placement agent's 7% cash fee and 1% non-accountable expense allowance, as a result of such amendments. The Company plans to use the net proceeds for working capital and general corporate purposes. In addition, as a result of such amendments and pursuant to the placement agency agreement, the Company amended and restated the placement agent's warrants to increase the exercise price to \$10.02 per share.

Software Purchase Agreement dated June 22, 2023

On June 22, 2023, the Company entered into a software purchase agreement (the "Agreement") with Northeast Management LLC, a seller unaffiliated with the Company (the "Seller"). 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 (the "Shares"), 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.

Share Purchase Agreement dated June 26, 2023

On June 26, 2023, the Company entered into a share purchase agreement (the "Agreement") with a buyer unaffiliated with the Company (the "Buyer"). Pursuant to the Agreement, the Company agreed to sell and the Buyer agreed to purchase all the issued and outstanding equity interest in TMSR Holdings Limited ("TMSR"), a company incorporated under the laws of Hong Kong and an indirect subsidiary of Company. The purchase price for the transaction contemplated by the Agreement shall be \$100,000. TMSR has a direct wholly-owned subsidiary, Makesi WFOE, and an indirect wholly-owned subsidiary, Yuan Ma. The sale of TMSR will include the sale of Makesi WFOE and Yuan Ma. None of TMSR, Makesi WFOE or Yuan Ma has any assets, employees or operation. The sale of TMSR will not have any impact on the Company's consolidated financial statements.

Termination of the VIE Agreements

As previously disclosed in the current reports on Form 8-K of the Company filed on September 19, 2022 and February 28, 2023, on September 16, 2022, Makesi WFOE, Highlight Media, and the Highlight Media Shareholders entered into certain Technical Consultation and Services Agreement., Equity Pledge Agreement, Equity Option Agreement, Voting Rights Proxy and Financial Support Agreement, which was assigned by Makesi WFOE to Highlight WFOE on February 27, 2023 (such agreements, as assigned, the "VIE Agreements"). The VIE Agreements established a "Variable Interest Entity" (VIE) structure, pursuant to which the Company treated Highlight Media as a consolidated affiliated entity and consolidated the financial results and balance sheet of Highlight Media in the Company's consolidated financial statements under U.S. GAAP.

10

On September 26, 2023, Highlight WFOE entered into the Termination Agreement with Highlight Media, the Highlight Media Shareholders and a third party to terminate the VIE Agreements and for the third party to pay the Company \$100,000 as consideration to the termination of the VIE Agreements. As a result of such termination, the Company will no longer treat Highlight Media as a consolidated affiliated entity or consolidate the financial results and balance sheet of Highlight Media in the Company's consolidated financial statements under U.S. GAAP.

The Establishment of the Joint Venture

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

Equity Purchase Agreement dated October 27, 2023 and the Amendment to the Equity Purchase Agreement dated November 10, 2023

On October 27, 2023, the Company entered into an equity purchase agreement (the "Agreement") with Shanghai Highlight and Beijing Hehe, pursuant to which the Shanghai Highlight agreed to purchase the 20% equity interest in Shanghai Xianzhuai from Beijing Hehe and the Company agreed to issue 600,000 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. The closing of the transaction shall take place within thirty (30) days from the execution of the Agreement. The Agreement is effective for thirty (30) days from the date of the Agreement, which can be extended for additional thirty (30) days upon all parties' written agreement. The Company or Shanghai Highlight may terminate the Agreement at any time with a three (3) day advance written notice to Beijing Hehe.

On November 10, 2023, the Company entered into an amended and restated equity purchase agreement (the "Amended and Restated Agreement") that amended and replaced the Original Agreement. Pursuant to the Amended and Restated Agreement, Shanghai Highlight agreed to purchase the 13.3333% equity interest in Shanghai Xianzhuai from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at the Per Share Price, to Beijing Hehe or its assigns.

Pursuant to the Amended and Restated Agreement, the closing of the transaction shall take place within thirty (30) days from the execution of the Amended and Restated Agreement. The Amended and Restated Agreement is effective for thirty (30) days from the date of the Amended and Restated Agreement, which can be extended for additional thirty (30) days upon all parties' written agreement. The Company or Shanghai Highlight may terminate the Amended and Restated Agreement at any time with a three (3) day advance written notice to Beijing Hehe.

On January 11, 2024, the Company issued the Shares and the transaction is completed. Up to the date of this Report, the Company owns 73.3333% of the total equity interest of Shanghai Xianzhuai.

Registered Direct Offering ("November 2023 Offering")

On November 1, 2023, the Company entered into a placement agency agreement, with Univest Securities, LLC, as the placement agent. Pursuant to the placement agency agreement, the Placement Agent agrees to use its reasonable best efforts to sell the Company's common stock in a registered direct offering. The Placement Agent has no obligation to buy any of the securities from us or to arrange for the purchase or sale of any specific number or dollar amount of securities.

In 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 "Pre-Funded Warrants", and the common stock underlying such warrants, the "Pre-Funded Warrant Shares"), and (iii) registered warrants to purchase up to an aggregate of 3,312,356 shares of common stock (the "Registered Warrants", and the common stock underlying such warrants, the "Registered Warrant Shares") are sold to certain purchasers (the "Purchasers"), pursuant to a securities purchase agreement, dated October 31, 2023 (the "November 2023 Securities Purchase Agreement"). The purchase price of each share of common stock is \$3.019. The purchase price of each Pre-funded Warrant is \$3.018, which equals the price per common stock being sold in this November 2023 Offering, minus \$0.001. The Pre-funded Warrants will be exercisable immediately after issuance and will expire five (5) years from the date of issuance. The Registered Warrants will be exercisable immediately and will expire five (5) years from the date of issuance.

11

The November 2023 Offering is being made pursuant to a 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.

The net proceeds from the November 2023 Offering, after deducting placement agent discounts and commissions and estimated offering expenses payable by the Company, are approximately \$9.05 million (assuming the Registered Warrants are not exercised). The Company intends to use the net proceeds from the November 2023 Offering for working capital and general corporate purposes.

Pursuant to the placement agency agreement, the Company has agreed to pay the Placement Agent a total cash fee equal to 7.0% of the aggregate gross proceeds received in the November 2023 Offering. The Company also agreed to reimburse the Placement Agent certain out-of-pocket accountable expenses incurred in this November 2023 Offering up to \$150,000.

In concurrent with the November 2023 Offering, on November 1, 2023, the Company entered into certain warrant exchange agreements (the "Warrant Exchange Agreements") with certain holders of the Unregistered Warrants, as defined in the section titled "Registered Direct Offering (May 2023 Offering)", to purchase up to 1,154,519 shares of the Company's common stock (the "Holders"). Pursuant to the Warrant Exchange Agreements, the Holders shall surrender the Unregistered Warrants, and the Company shall cancel the Unregistered Warrants and shall issue to 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.

Amendment to the November 2023 Offering

On November 17, 2023, the Company entered into an amendment to the November 2023 Securities Purchase Agreement with the Purchasers, pursuant to which Exhibit B to the November 2023 Securities Purchase Agreement (form of Registered Warrants) was deleted and replaced with an amended and restated the Form of Registered Warrant, to remove Section 2(b) Adjustment Upon Issuance of Common Stock and Section 2(e) Other Events. The Registered Warrants that were issued to Purchasers under the November 2023 Securities Purchase Agreement were returned to and cancelled by the Company on November 17, 2023. Concurrently, the Company issued amended and restated Registered Warrants to each Purchaser.

Registered Direct Offering ("March 2024 Offering")

On March 22, 2024, the Company entered into a placement agency agreement, with Univest Securities, LLC, as the placement agent. Pursuant to the placement agency agreement, the placement agent agrees to use its reasonable best efforts to sell the Company's common stock in a registered direct offering. The placement agent has no obligation to buy any of the securities from us or to arrange for the purchase or sale of any specific number or dollar amount of securities.

In the March 2024 Offering, an aggregate of 810,277 shares of common stock were sold to certain purchasers, pursuant to a securities purchase agreement, dated March 22, 2024. The purchase price of each Common Share is \$1.144.

The March 2024 Offering is being made pursuant to a 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.

The net proceeds from the March 2024 Offering, after deducting placement agent discounts and commissions and estimated offering expenses payable by the Company, are approximately \$830,000. The Company intends to use the net proceeds from the March 2024 Offering for working capital and general corporate purposes.

Pursuant to the placement agency agreement, the Company has agreed to pay the placement agent a total cash fee equal to 4.0% of the aggregate gross proceeds received in the March 2024 Offering.

Pursuant to the placement agency agreement, the Company agreed to issue the placement agent warrants to the placement agent to purchase up to 40,514 shares of Common Stock (equal to 5.0% of the aggregate number of Common Shares) at an exercise price of \$1.373 per share, which represents 120% of the offering price.

Environmental Matters

As of December 31, 2023, the Company, Shanghai Xianzhuai and Ai Catalysis were not subject to any fines or legal action involving non-compliance with any relevant environmental regulation, nor are we aware of any threatened or pending action, including by any environmental regulatory authority.

Governmental Regulations in PRC

Business license

Any company that conducts business in the PRC must have a business license that covers a particular type of work. The Company's PRC operating company, Shanghai Xianzhuai's business license covers its present business of technology development and consulting, and technical support for digital humans.

Employment laws

Shanghai Xianzhuai are subject to laws and regulations governing our relationship with our employees, including: wage and hour requirements, working and safety conditions, citizenship requirements, work permits and travel restrictions. These include local labor laws and regulations, which may require substantial resources for compliance. China's National Labor Law, which became effective on January 1, 1995, and amended on August 27, 2009, and China's National Labor Contract Law, which became effective on January 1, 2008, and amended on December 28, 2012, permit workers in both state and private enterprises in China to bargain collectively. The National Labor Law and the National Labor Contract Law provide for collective contracts to be developed through collaboration between the labor union (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The laws also permit workers and employers in all types of enterprises to sign individual contracts, which are to be drawn up in accordance with the collective contract.

Intellectual property protection in China

Patent. The PRC has domestic laws for the protection of copyrights, patents, trademarks and trade secrets. The PRC is also signatory to some of the world's major intellectual property conventions, including:

- Convention establishing the World Intellectual Property Organization (WIPO Convention) (June 4, 1980);
- Paris Convention for the Protection of Industrial Property (March 19, 1985);
- Patent Cooperation Treaty (January 1, 1994); and
- The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (November 11, 2001).

Patents in the PRC are governed by the China Patent Law and its Implementing Regulations, each of which went into effect in 1985. Amended versions of the China Patent Law and its Implementing Regulations came into effect in 1993, 2001 and 2009, respectively.

The PRC is signatory to the Paris Convention for the Protection of Industrial Property, in accordance with which any person who has duly filed an application for a patent in one signatory country shall enjoy, for the purposes of filing in the other countries, a right of priority during the period fixed in the convention (12 months for inventions and utility models, and 6 months for industrial designs).

The Patent Law covers three kinds of patents — patents for inventions, utility models and designs. The Chinese patent system adopts the principle of first to file, which means that a patent may be granted only to the person who first files an application. Consistent with international practice, the PRC allows the patenting of inventions or utility models that possess the characteristics of novelty, inventiveness and practical applicability only. For a design to be patentable it cannot be identical with, or similar to, any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and should not be in conflict with any prior right of another.

Copyright. Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Trademark. Registered trademarks are protected under the Trademark Law of the PRC and related rules and regulations. Trademarks are registered with the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked. The duration of a trademark is 10 years from the date of registration.

Domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

Regulations on Tax

PRC Corporate Income Tax

The PRC corporate income tax, or CIT, is calculated based on the taxable income determined under the applicable CIT Law and its implementation rules, which became effective on January 1, 2008 and amended on February 24, 2017. The CIT Law imposes a uniform corporate income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises.

Uncertainties exist with respect to how the CIT Law applies to the tax residence status of The Company and our offshore subsidiaries. Under the CIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in a manner similar to a Chinese enterprise for corporate income tax purposes. Although the implementation rules of the CIT Law define "de facto management body" as a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise, the only official guidance for this definition currently available is set forth in Circular 82 issued by the State Administration of Taxation, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although the Company does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of Circular 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in Circular 82 to evaluate the tax residence status of The Company and our subsidiaries organized outside the PRC.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC corporate income tax on its worldwide income only if all of the following criteria are met:

- the primary location of the day-to-day operational management is in the PRC;
- decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;
- the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

We do not believe that we meet any of the conditions outlined in the immediately preceding paragraph.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our common stock may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our common stock.

Value-Added Tax and Business Tax

In November 2011, the MOF and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. In May and December 2013 and April 2014, the MOF and the State Administration of Taxation promulgated Circular 37, Circular 106 and Circular 43 to further expand the scope of services which are to be subject to Value-Added Tax, or VAT, instead of business tax. Pursuant to these tax rules, from August 1, 2013, VAT will be imposed to replace the business tax in certain service industries, including technology services and advertising services, on a nationwide basis. The VAT rate shall be 17% for sale or importation of goods by a taxpayer. But, unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

Regulations Relating to Foreign Exchange and Dividend Distribution

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

We typically do not need to use our offshore foreign currency to fund our PRC operations. In the event we need to do so, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have notified substantial beneficial owners of common stock who we know are PRC residents of their filing obligation. However, we may not be aware of the identities of all our beneficial owners who are PRC residents. In addition, we do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular 37. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or amend the registration may also limit our ability to contribute additional capital to our PRC subsidiaries or receive dividends or other distributions from our PRC subsidiaries or other proceeds from disposal of our PRC subsidiaries, or we may be penalized by SAFE.

Share Option Rules

Under the Administration Measures on Individual Foreign Exchange Control issued by the PBOC on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, under the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies, or the Share Option Rules, issued by SAFE on February 15, 2012, PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches, (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants, and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

Regulation of Dividend Distribution

The principal laws, rules and regulations governing dividend distribution by foreign-invested enterprises in the PRC are the Company Law of the PRC, as amended, the Wholly Foreign-owned Enterprise Law and its implementation regulations and the Chinese-foreign Equity Joint Venture Law and its implementation regulations. Under these laws, rules and regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. Both PRC domestic companies and wholly-foreign owned PRC

enterprises are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of such reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations on Mergers & Acquisitions and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the CSRC, MOFCOM, the State-owned Assets Supervision and Administration Commission, the SAT, the State Administration of Industry and Commerce and SAFE, adopted the M&A Rules, which became effective on September 8, 2006, and were amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise, when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets, or when the foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. As for merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or natural person in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise of natural person, such merger and acquisition shall be subject to examination and approval of MOFCOM. The parties involved shall not use domestic investment by foreign investment enterprises or other methods to circumvent the requirement of examination and approval.

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access, which was issued and became effective on December 18, 2008 by MOFCOM, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not, or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. The Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and report relevant information to the CSRC; if a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offerings and listings shall be determined as an indirect overseas offerings and listings by a domestic company: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic enterprises; and; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offerings or listings in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted; if the issuer submits the application documents for offerings or listings in secret or non-public ways overseas, it may submit an explanation at the time of filing, and the application shall be postponed until the application documents are reported to the CSRC within three business days after the application documents are disclosed overseas.

On February 24, 2023, the CSRC, together with the MOF, National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009. The revised Provisions were issued under the title the "Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies," and came into effect on March 31, 2023 together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; and (b) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Any failure or perceived failure by our Company or our subsidiaries, to comply with the above confidentiality and archives administration requirements under the revised Provisions and other PRC laws and regulations may result in the relevant entities being held legally liable by competent authorities, and referred to the judicial organ to be investigated for criminal liability if suspected of committing a crime.

Legal Proceedings

From time to time, we may be involved in various claims and legal proceedings arising in the ordinary course of business. None of our Company or our subsidiaries is currently a party to any such claims or proceedings which, if decided adversely to the Company, would either, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

An investment in our shares of common stock involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this Report, before you decide to buy any of our securities. Any of the following risks could cause our business, results of operations and financial condition to suffer materially, causing the market price of our shares of common stock to decline, in which event you may lose part or all of your investment in our shares of common stock. Additional risks and uncertainties not currently known to us or that we currently do not deem material may also become important factors that may materially and adversely affect our business.

Risks Related to Our Corporate Structure

We rely on dividends paid by our subsidiaries for our cash needs. Any limitation on the ability of our subsidiaries to make dividend payments to us, or any tax implications of making dividend payments to us, could limit our ability to pay our parent company expenses or pay dividends to holders of our common stock.

We may rely on dividends to be paid by our subsidiaries to fund our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Under the Nevada Revised Statutes and the Articles of Incorporation and Bylaws of AI Catalysis, dividends may be declared by the Board of Directors at any regular or special meeting. No distribution may be made if, after giving it effect: (a) AI Catalysis would not be able to pay its debts as they become due in the usual course of business; or (b) AI Catalysis's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if AI Catalysis were to be dissolved immediately after the time of the distribution, to satisfy the preferential rights upon such dissolution of holders of shares of any class or series of the capital stock of AI Catalysis having preferential rights superior to those receiving the distribution.

Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital.

We expect that revenue, if any, to be generated by our PRC operating subsidiary, Shanghai Xianzhu, will be in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC operating subsidiary to use its Renminbi revenues to pay dividends to us. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are incorporated. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Risks Related to Doing Business in China

PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using proceeds from future financing activities to make loans or additional capital contributions to our PRC operating subsidiaries.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, which replaces the previous SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE to reflect any material change. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. In February, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound direct investments, including those required under SAFE Circular 37, must be filed with qualified banks instead of SAFE. Qualified banks should examine the applications and accept registrations under the supervision of SAFE. We have used our best efforts to notify PRC residents or entities who directly or indirectly hold shares in GD Culture Group Limited and who are known to us as being PRC residents to complete the foreign exchange registrations. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. We cannot assure you that all other shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, and limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Furthermore, as these foreign exchange and outbound investment related regulations are relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border investments and transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. We cannot assure you that we have complied or will be able to comply with all applicable foreign exchange and outbound investment related regulations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

We may finance our subsidiaries by means of loans or capital contributions and finance Shanghai Xianzhu by means of loans. Any capital contributions or loans that we, as an offshore entity, make to our Company's PRC operating subsidiary, Shanghai Xianzhu, are subject to the above PRC regulations. We may not be able to obtain necessary government registrations or approvals on a timely basis, if at all. If we fail to obtain such approvals or make such registration, our ability to make equity contributions or provide loans to our Company's PRC subsidiaries, including Shanghai Xianzhu, or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments. As a result, our liquidity and our ability to fund and expand our business may be negatively affected.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and results of operations.

All of Shanghai Xianzhu's operations and assets are located in China. Accordingly, Shanghai Xianzhu's business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic

growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, China's economic growth has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Under the Enterprise Income Tax Law, we may be classified as a "Resident Enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.

China passed the Enterprise Income Tax Law, or the EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

On April 22, 2009, the State Administration of Taxation of China issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies, or the Notice, further interpreting the application of the EIT Law and its implementation to offshore entities controlled by a Chinese enterprise or group. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a "non-domestically incorporated resident enterprise" if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate stamps, board and stockholder minutes are kept in China; and (iv) all of its directors with voting rights or senior management reside in China. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC stockholders. Because substantially all of our operations and senior management are located within the PRC and are expected to remain so for the foreseeable future, we may be considered a PRC resident enterprise for enterprise income tax purposes and therefore subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. However, it remains unclear as to whether the Notice is applicable to an offshore enterprise controlled by a Chinese natural person. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Currently, we do not have any non-China source income, as we conduct our sales in China. However, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries would be deemed as "qualified investment income between resident enterprises" and therefore qualify as "tax-exempt income" pursuant to clause 26 of the EIT Law. Second, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which the dividends we pay with respect to our common stock, or the gain our non-PRC shareholders may realize from the transfer of our common stock, may be treated as PRC-sourced income and may therefore be subject to a 10% PRC withholding tax. The EIT Law and its implementing regulations are, however, relatively new and ambiguities exist with respect to the interpretation and identification of PRC-sourced income, and the application and assessment of withholding taxes. If we are required under the EIT Law and its implementing regulations to withhold PRC income tax on dividends payable to our non-PRC shareholders, or if non-PRC stockholders are required to pay PRC income tax on gains on the transfer of their common stock, our business could be negatively impacted and the value of your investment may be materially reduced. Further, if we were treated as a "resident enterprise" by PRC tax authorities, we would be subject to taxation in both China and such countries in which we have taxable income, and our PRC tax may not be creditable against such other taxes.

We must comply with the Foreign Corrupt Practices Act and Chinese anti-corruption laws .

We are required to comply with the United States Foreign Corrupt Practices Act, or FCPA, which prohibits US companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some of our competitors, are not subject to these prohibitions. The PRC also strictly prohibits bribery of government officials. Certain of our suppliers are owned by the PRC government and our dealings with them are likely to be considered to be with government officials for these purposes. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in China. It is our policy to prohibit our employees, and to discourage our agents, representatives and consultants, from engaging in such practices. If our competitors engage in these practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new licenses, which would put us at a disadvantage. Our employees, agents, representatives and consultants may not always be subject to our control. If any of them violates FCPA or other anti-corruption law, we might be held responsible. We could suffer severe penalties in that event. In addition, the US government may seek to hold us liable for successor liability FCPA violations committed by companies in which we invest or which we acquire.

Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The

legislation over the past three decades has significantly increased the protection afforded to various forms of foreign or private-sector investment in China. Shanghai Xianzhu is subject to various PRC laws and regulations generally applicable to companies in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, however, the interpretations of many laws, regulations, and rules are not always uniform and enforcement of these laws, regulations, and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, however, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in the PRC legal system than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies, internal rules, and regulations that may have retroactive effect and may change quickly with little advance notice. As a result, Shanghai Xianzhu may not be aware of its violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of the contractual, property (including intellectual property), and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect Shanghai Xianzhu's business and impede Shanghai Xianzhu's ability to continue its operations.

Our business may be materially and adversely affected if our PRC subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The Enterprise Bankruptcy Law of the PRC, or the Bankruptcy Law, came into effect on June 1, 2007. The Bankruptcy Law provides that an enterprise will be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise's assets are, or are demonstrably, insufficient to clear such debts.

Shanghai Xianzhu holds certain assets that are important to our business operations. If Shanghai Xianzhu undergoes a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect Shanghai Xianzhu's business, financial condition and results of operations.

According to SAFE's Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, effective on 17 December 2012, and the Provisions for Administration of Foreign Exchange Relating to Inbound Direct Investment by Foreign Investors, effective May 13, 2013, if any of our PRC subsidiaries undergoes a voluntary or involuntary liquidation proceeding, prior approval from SAFE for remittance of foreign exchange to our shareholders abroad is no longer required, but we still need to conduct a registration process with the SAFE local branch. It is not clear whether "registration" is a mere formality or involves the kind of substantive review process undertaken by SAFE and its relevant branches in the past.

Given the Chinese government's significant oversight and discretion over the conduct of the business of Shanghai Xianzhu, the Chinese government may intervene or influence its operations at any time, which could result in a material change in the operations of Shanghai Xianzhu and/or the value of our common stock.

The Chinese government has significant oversight and discretion over the conduct of Shanghai Xianzhu and may intervene or influence their operations at any time as the government deems appropriate to further regulatory, political, and societal goals, which could result in a material change in the operations of Shanghai Xianzhu and/or the value of our common stock.

The Chinese government has recently published new policies that significantly affected certain industries such as the education and Internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect the business, financial condition, and results of operations of Shanghai Xianzhu. Furthermore, if China adopts more stringent standards with respect to certain areas such as environmental protection or corporate social responsibilities, Shanghai Xianzhu may incur increased compliance costs or become subject to additional restrictions in their operations. Certain areas of the law in China, including intellectual property rights and confidentiality protections, may also not be as effective as in the United States or other countries. In addition, we cannot predict the effects of future developments in the PRC legal system on the business operations of Shanghai Xianzhu, including the promulgation of new laws, or changes to existing laws or the interpretation or enforcement thereof. These uncertainties could limit the legal protections available to us and our investors, including you.

The Chinese government exerts substantial influence over the manner in which we must conduct our business activities . We are currently not required to obtain approval from Chinese authorities to list on U.S exchanges, however, if Shanghai Xianzhu or the Company were required to obtain approval in the future and were denied permission from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchange and the value of our common stock may significantly decline or become worthless, which would materially affect the interest of the investors.

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Under the current government leadership, the government of the PRC has been pursuing reform policies which have adversely affected China-based operating companies whose securities are listed in the United States, with significant policies changes being made from time to time without notice. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with borrowers in the event of the imposition of statutory liens, bankruptcy or criminal proceedings. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, or the Opinions, which was made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-concept overseas listed companies. As of the date of this Report, we have not received any inquiry, notice, warning, or sanctions from PRC government authorities in connection with the Opinions.

On June 10, 2021, the Standing Committee of the National People's Congress of China, or the SCNPC, promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data

activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information.

On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, or the Regulations, which took effect on September 1, 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Review Measures. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which took effect on November 1, 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's consent shall be obtained to use sensitive personal information, such as biometric characteristics and individual location tracking, (ii) personal information operators using sensitive personal information shall notify individuals of the necessity of such use and impact on the individual's rights, and (iii) where personal information operators reject an individual's request to exercise his or her rights, the individual may file a lawsuit with a People's Court.

On February 17, 2023, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and report relevant information to the CSRC. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. As a listed company, we believe that we and all of our PRC subsidiaries are not required to fulfill filing procedures with the CSRC to continue to offer our securities, or continue listing on the Nasdaq Capital Market. However, there are substantial uncertainties regarding the interpretation and application of the M&A Rules, other PRC Laws and future PRC laws and regulations, and there can be no assurance that any governmental agency will not take a view that is contrary to or otherwise different from our belief stated herein. See "Risk Factors - Risk Factors Relating to Doing Business in China - The CSRC has released the Trial Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the "Trial Measures"). With such rules in effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to continue to offer our securities to investors and could cause the value of our securities to significantly decline or become worthless."

As such, the Company's businesses may be subject to various government and regulatory interference in the provinces in which they operate. The Company could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government subdivisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. The Chinese government may intervene or influence our operations at any time with little advance notice, which could result in a material change in our operations and in the value of our common stock. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.

Furthermore, it is uncertain when and whether the Company will be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even when such permission is obtained, whether it will be denied or rescinded. Although the Company is currently not required to obtain permission from any of the PRC federal or local government to obtain such permission and has not received any denial to list on the U.S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry. As a result, our common stock may decline in value dramatically or even become worthless should we become subject to new requirement to obtain permission from the PRC government to list on U.S. exchange in the future.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

Changes in the value of the RMB against the U.S. dollar are affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of the RMB may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on our shares in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from our public offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of paying dividends on our common stock or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, fluctuations of the RMB against other currencies may increase or decrease the cost of imports and exports, and thus affect the price-competitiveness of our products against products of foreign manufacturers or products relying on foreign inputs.

Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Increases in labor costs in the PRC may adversely affect our business and results of operations.

The currently effective PRC Labor Contract Law, or the Labor Contract Law was first adopted on June 29, 2007 and later amended on December 28, 2012. The PRC Labor Contract Law has reinforced the protection of employees who, under the Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. Furthermore, the Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. To the extent that we need to significantly reduce our workforce, the Labor Contract Law could adversely affect our ability to do so in a timely and cost-effective manner, and our results of operations could be adversely affected. In addition, for employees whose employment contracts include noncompetition terms, the Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses.

We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our vehicle buyers by increasing the prices of our products and services, our financial condition and results of operations would be materially and adversely affected.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

In July 2014, SAFE promulgated the Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents via Special Purpose Vehicles, or "Circular 37". According to Circular 37, prior registration with the local SAFE branch is required for Chinese residents to contribute domestic assets or interests to offshore companies, known as Special Purpose Vehicles ("SPVs"). Circular 37 further requires amendment to a PRC resident's registration in the event of any significant changes with respect to the SPV, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division, or other material event. Further, foreign investment enterprises established by way of round-tripping shall complete the relevant foreign exchange registration formalities pursuant to the prevailing foreign exchange control provisions for direct investments by foreign investors, and disclose the relevant information such as actual controlling party of the shareholders truthfully.

We may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit Highlight WFOE's ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Shanghai Xianzhuai may become subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. Shanghai Xianzhuai may be required to suspend its business, be liable for improper use or appropriation of personal information provided by our customers and face other penalties.

Shanghai Xianzhuai may become subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. These laws and regulations are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly with respect to foreign laws. In particular, there are numerous laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal information and other user data. Such laws and regulations often vary in scope, may be subject to differing interpretations, and may be inconsistent among different jurisdictions.

We expect to obtain information about various aspects of our operations as well as regarding our employees and third parties. We also maintain information about various aspects of our operations as well as regarding our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such information.

The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017.

Pursuant to the Cyber Security Law, network operators must not, without users' consent, collect their personal information, and may only collect users' personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations.

The Civil Code of the PRC (issued by the PRC National People's Congress on May 28, 2020 and effective from January 1, 2021) provides main legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the CAC, MIIT, and the Ministry of Public Security have been increasingly focused on regulation in the areas of data security and data protection.

The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various regulatory bodies in China, including the CAC, the Ministry of Public Security and the SAMR, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In April 2020, the Chinese government promulgated Cybersecurity Review Measures, which came into effect on June 1, 2020. According to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security.

In November 2016, the Standing Committee of China's National People's Congress passed China's first Cybersecurity Law ("CSL"), which became effective in June 2017. The CSL is the first PRC law that systematically lays out the regulatory requirements on cybersecurity and data protection, subjecting many previously under-regulated or unregulated activities in cyberspace to government scrutiny. The legal consequences of violation of the CSL include penalties of warning, confiscation of illegal income, suspension of related business, winding up for rectification, shutting down the websites, and revocation of business license or relevant permits. In April 2020, the CAC and certain other PRC regulatory authorities promulgated the Cybersecurity Review Measures, which became effective in June 2020. Pursuant to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. On June 10, 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law, which took effect on September 1, 2021. The Data Security Law also sets forth the data security protection obligations for entities and individuals handling personal data, including that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data should not exceed the necessary limits. The costs of compliance with, and other burdens imposed by, CSL and any other cybersecurity and related laws may limit the use and adoption of our products and services and could have an adverse impact on our business. On January 4, 2022, thirteen PRC regulatory agencies, namely, the CAC, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the MOF, MOFCOM, SAMR, CSRC, the People's Bank of China, the National Radio and Television Administration, National Administration of State Secrets Protection and the National Cryptography Administration, jointly adopted and published the Measures for Cybersecurity Review (2021), which became effective on February 15, 2022. The Measures for Cybersecurity Review (2021) required that, among others, in addition to "operator of critical information infrastructure" any "operator of network platform" holding personal information of more than one million users which seeks to list in a foreign stock exchange should also be subject to cybersecurity review.

On July 10, 2021, the CAC issued a revised draft of the Measures for Cybersecurity Review for public comments (the "Review Measures"), and on December 28, 2021, the CAC jointly with the relevant authorities published Measures for Cybersecurity Review (2021) which took effect on February 15, 2022 and replace the Review Measures, which required that, operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the "Operators") carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review, any operator who controls more than one million users' personal information must go

through a cybersecurity review by the cybersecurity review office if it seeks to be listed in a foreign country. We do not know what regulations will be adopted or how such regulations will affect us and our listing on Nasdaq. In the event that the CAC determines that we are subject to these regulations, we may be required to delist from Nasdaq and we may be subject to fines and penalties.

Under the Data Security Law enacted on September 1, 2021 and the Measures for Cybersecurity Review (2021) implemented on February 15, 2022, given that (i) Shanghai Xianzhu is not an Operator, (ii) Shanghai Xianzhu does not possess more than one million users' personal information, and (iii) data processed in Shanghai Xianzhu's business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. However, if the CSRC, CAC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for any follow-on offering, we may be unable to obtain such approvals and we may face sanctions by the CSRC, CAC or other PRC regulatory agencies for failure to seek their approval which could significantly limit or completely hinder our ability to offer or continue to offer securities to our investors and the securities currently being offered may substantially decline in value and be worthless.

We cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there is no assurance that we can fully or timely comply with such laws. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations.

The CSRC has released the Trial Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the "Trial Measures"). With such rules in effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to continue to offer our securities to investors and could cause the value of our securities to significantly decline or become worthless.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and report relevant information to the CSRC; if a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offerings and listings shall be determined as an indirect overseas offerings and listings by a domestic company: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic enterprises; and; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offerings or listings in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted; if the issuer submits the application documents for offerings or listings in secret or non-public ways overseas, it may submit an explanation at the time of filing, and the application shall be postponed until the application documents are reported to the CSRC within three business days after the application documents are disclosed overseas.

The Trial Measures, may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get the clearance of filing procedures under the Trial Measures on a timely basis, or at all. Any failure of us to fully comply with new regulatory requirements may significantly limit or completely hinder our ability to continue to offer our securities, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our consolidated financial condition and results of operations and cause our securities to significantly decline in value or become worthless. We believe that we and our PRC subsidiaries are not required to fulfill filing procedures with the CSRC to continue to offer our securities, or continue listing on the Nasdaq Capital Market, or operate the business. In addition, to date, none of us or our PRC subsidiaries have received any filing or compliance requirements from CSRC for the listing of the Company at Nasdaq Capital Market and all of its overseas offerings. However, there are substantial uncertainties regarding the interpretation and application of the M&A Rules, other PRC Laws and future PRC laws and regulations, and there can be no assurance that any PRC governmental agency will not take a view that is contrary to or otherwise different from our belief stated herein.

If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, listing and future offerings and our reputation and could result in a loss of your investment in our common stock, especially if such matter cannot be addressed and resolved favorably.

Recently, U.S. public companies that have substantially all of their operations in China, have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our Company, our business and listing and future offerings. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend the Company. This situation may be a major distraction to our management. If such allegations are not proven to be groundless, our Company and business operations will be severely hampered and your investment in our common stock could be rendered worthless.

The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. Although the audit report included in annual report was issued by U.S. auditors who are currently inspected by the PCAOB, if it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors would be deprived of the benefits of such inspection and our common stock may be delisted or prohibited from trading.

highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply minimum offering size requirement for companies primarily operating in "Restrictive Market", (ii) adopt a new requirement relating to the qualification of management or board of director for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company's auditors.

On May 20, 2020, the U.S. Senate passed the HFCAA requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company's auditors for three consecutive years, the issuer's securities are prohibited to trade on a national securities exchange or in the over the counter trading market in the U.S. On December 2, 2020, the U.S. House of Representatives approved the HFCAA. On December 18, 2020, the HFCAA was signed into law.

On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the Act. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10-K, 20-F, 40-F or N-CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. The SEC will implement a process for identifying such a registrant and any such identified registrant will be required to submit documentation to the SEC establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction, and will also require disclosure in the registrant's annual report regarding the audit arrangements of, and governmental influence on, such a registrant.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading.

On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

On December 16, 2021, PCAOB announced the PCAOB Holding Foreign Companies Accountable Act determinations (the "PCAOB determinations") relating to the PCAOB's inability to inspect or investigate completely registered public accounting firms headquartered in mainland China of the PRC or Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in the PRC or Hong Kong.

On August 26, 2022, the CSRC, the MOF, and the PCAOB signed a Statement of Protocol (the "Protocol"), governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC.

On December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB will consider the need to issue a new determination. Our previous auditor, Enrome LLP, has been inspected by the PCAOB on a regular basis in the audit period. Our current auditor, HTL, has been inspected by the PCAOB on a regular basis as well. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate. Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, an exchange may determine to delist our securities.

However, these recent developments would add uncertainties to our listing and future offerings, and we cannot assure you whether Nasdaq or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. In the event it is later determined that the PCAOB is unable to inspect or investigate completely the Company's auditor because of a position taken by an authority in a foreign jurisdiction, then such lack of inspection could cause trading in the Company's securities to be prohibited under the HFCAA, and ultimately result in a determination by a securities exchange to delist the Company's securities.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law promulgated by the SCNPC effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China,

or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB 2 billion, and at least two of these operators each had a turnover of more than RMB 400 million within China) must be cleared by MOFCOM before they can be completed.

Moreover, the Anti-Monopoly Law requires that the MOC shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If Shanghai Xianzhuai fails to maintain the requisite licenses and approvals required under PRC law, our business, financial condition and results of operations may be materially and adversely affected.

Foreign investment is highly regulated by the PRC government and local authorities. Shanghai Xianzhuai is required to obtain and maintain certain licenses or approvals from different regulatory authorities in order to operate their respective current businesses. These licenses and approvals are essential to the operation of their businesses, for example, the value-added telecommunication business carried out by Shanghai Xianzhuai. If Shanghai Xianzhuai fails to obtain or maintain any of the required licenses or approvals for its business, we may be subject to various penalties, such as fines and the discontinuation or restriction of its operations. Any such disruption in the business operations of Shanghai Xianzhuai could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Business and Industry

If we are unable to continuously entice TikTok users to participate in our live streaming channels and increase their spending on our platforms, including e-commerce and gaming, it could have significant consequences on our business and operational results.

The viability of our business largely depends on TikTok users engaging with our live streaming channels, which includes our live streaming e-commerce and gaming platforms. Our revenue is generated through product purchases, e-gift or token transactions with our live hosts, and purchase of the in-game items. To increase user spending, we must diversify our e-commerce product catalog, expand the range of live streaming games, increase the frequency of live streaming sessions, and collaborate with key opinion leaders (KOLs) to increase product sales. If we fail to attract new TikTok users or increase their average spending, it could have a significant negative impact on our business, financial stability, and operational performance.

The success of our business relies on the brand recognition of our subsidiary, AI Catalysis. Failing to maintain and improve this recognition could have consequences for our business prospects.

Our success heavily relies on the market recognition of our brands and reputation. As our subsidiary, AI Catalysis, was recently incorporated in 2023, it lacks significant market familiarity. Therefore, our ability to enhance and maintain brand recognition depends on various factors, some of which are beyond our control. Allocating excessive resources to marketing and promotional efforts could have a significant and negative impact on our business and operational results. Additionally, any negative publicity about our company, products, services, or content offerings could decrease customer and user interest, which could adversely affect our business and operational performance.

If we are unable to effectively implement our growth strategies, it could have a negative impact on our profitability and significantly harm our business and operational results.

Our current strategy for business growth involves expanding our product and game offerings, as well as increasing the number of live streamers and their unique styles. This will allow us to increase the frequency of live broadcasts, making it easier for TikTok users to discover our live streams at any time, whether during peak or off-peak hours, and encourage them to make purchases or play games within our live streams.

However, adding new games and recruiting new live streamers requires careful due diligence and numerous steps. This can be challenging, whether recruiting locally in the United States or internationally, as we must ensure they meet our high live streaming standards and can work with our schedules. Similarly, introducing new products on the e-commerce side requires research, quality control, international logistics, listing, video creation, and promotional efforts, all of which take time. Both aspects of our business are subject to external factors that can extend our timelines. Prolonged timelines can impede our business growth and potentially reduce our sales.

Competition in our business segments poses a significant threat, and if we are unable to compete effectively, we risk losing our market share or failing to gain additional market share, which could adversely affect our profitability.

Currently, the competition among users engaged in live-streaming e-commerce and live-streaming games on TikTok is not particularly intense. This is because the TikTok e-commerce and live-streaming gaming sectors have been operational for less than a year, making them relatively new markets. In comparison to many Asian countries, competition on TikTok is not as fierce at this stage.

However, it is undeniable that more users and capital will increasingly enter these two sectors in the future. We are not only contending with competition from similar ventures on the TikTok platform but also facing competition from e-commerce and gaming platforms outside of TikTok, striving to capture market share.

Furthermore, many TikTok users have not yet developed the habit of online shopping or mobile gaming on the TikTok platform. This factor adds complexity to our initial efforts in establishing brand recognition.

We have engaged in collaborations with business partners, and we may pursue further collaborations and strategic partnerships in the future. However, there is no guarantee that we will realize the benefits of these collaborations or that they will be successful.

We are actively pursuing strategic partnerships and collaborations with business entities that we believe will improve our competitiveness and promote business growth. However, the expected revenue and cost synergies from both current and future collaborations and partnerships may not materialize as

anticipated. Additionally, our involvement in the emerging industry sector, characterized by developing technologies and nascent collaborative networks, introduces greater uncertainties. If our business collaborations prove unsuccessful, it could have a negative impact on our business prospects and operational results.

We may encounter infringement claims by third parties for information on or linked to our platforms, which could disrupt our normal business operations, manage our reputation and cause us to incur substantial legal costs.

When engaging in brand and product promotion on TikTok, we often collaborate with other KOLs on the platform who feature our products or brand in their videos. However, during this process, we cannot guarantee that they will not inadvertently misrepresent our products. Furthermore, if these KOLs engage in any form of misconduct or infringement, it may indirectly impact our brand reputation, and the extent of this damage is difficult to quantify. Any significant loss has the potential to harm our reputation, result in financial losses, or ultimately affect our operations.

Our reputation and operations may be adversely impacted by employee misconduct.

There is a risk of employee misconduct, which includes failure to comply with government regulations, engaging in unauthorized activities, misrepresenting our products in marketing activities, and improper use of product/game information. Employee misconduct could damage our reputation, which could significantly impact our business. We may not be able to prevent employee misconduct, and the measures we take to prevent and deter it may not be effective.

We have limited insurance coverage.

We do not have insurance coverage. We've evaluated the risks associated with potential business disruptions, liabilities, loss or damage to our fixed assets (such as equipment and office furniture), the associated insurance costs, and the challenges of obtaining such coverage on commercially reasonable terms. Based on this assessment, it is not commercially practical for us to secure comprehensive insurance coverage for these risks. These circumstances could adversely impact our financial results.

We may be unable to gain any significant market acceptance for our products and services or be unable to establish a significant market presence.

Our growth strategy for is substantially dependent upon our ability to market our intended products and services successfully to prospective clients. Our intended products and services may not achieve significant market acceptance. If acceptance is achieved, it may not be sustained for any significant period of time. Failure of our intended products and services to achieve or sustain market acceptance could have a material adverse effect on our business, financial conditions and the results of our operations.

The e-commerce market witnessed substantial growth over the past two years due to the COVID-19 pandemic. However, with the pandemic's eventual resolution and the return to normalcy, the rate of market expansion is expected to decelerate. It could have a negative impact on our profitability and significantly harm our business and operational results.

The e-commerce market has experienced remarkable growth and transformation over the last two years, driven primarily by the unprecedented impact of the COVID-19 pandemic. The pandemic reshaped consumer behavior, accelerating the adoption of online shopping, digital payments, and contactless transactions. This surge in e-commerce activity was nothing short of remarkable, with businesses and consumers alike rapidly adapting to this new digital landscape.

During the height of the pandemic, e-commerce became an essential lifeline for many, offering convenience and safety when traditional brick-and-mortar retail faced restrictions and concerns. This growth wasn't limited to any particular sector; it spanned across industries, from retail giants to small businesses, and it showcased the resilience and adaptability of the e-commerce ecosystem. However, as the world gradually progresses toward a post-pandemic era, the e-commerce landscape is poised for a shift. The exponential growth rates witnessed during the height of the pandemic are likely to decelerate. It could then have a negative impact on our profitability and significantly harm our business and operational results.

There is risk of e-commerce fraud, and if that occurs, it could have a negative impact on our profitability and significantly harm our business and operational results.

Online retailers are subject to risk of e-commerce fraud in 2023. To mitigate this ongoing threat, prioritizing fraud prevention measures is crucial. These measures may include routine security audits, the implementation of an Address Verification Service (AVS), and the use of Hypertext Transfer Protocol Secure (HTTPS). E-commerce fraud is evolving, with fraudsters employing more sophisticated methods. The growth in the e-commerce fraud detection and prevention market reflects the increasing urgency in addressing this risk. The e-commerce fraud is a multifaceted risk that demands constant attention. We may need to prevent and to mitigate this persistent threat, protecting our financial interests and the trust of their customers, and if the fraud occurs, it could have a negative impact on our profitability and significantly harm our business and operational results.

Given our significant reliance on the TikTok platform for various business functions, including inventory management, client services, and live streaming channels for both of our e-commerce and livestreaming games, any downtime experienced by TikTok could significantly impact our operations.

In the ever-evolving digital landscape, where businesses heavily depend on various online platforms, the risk of platform downtime looms as a substantial concern.

Our company have cultivated a significant reliance on the TikTok platform, which serves as the backbone for a multitude of our critical business functions. These functions encompass inventory management, client services, and the live streaming channels that underpin both our e-commerce activities and live streaming games. Consequently, any downtime experienced by TikTok, whether due to planned maintenance or unforeseen technical issues, can significantly impact our operations.

AI technologies are constantly evolving. Any flaws or inappropriate usage of AI Technologies could have negative impact on our business and reputation.

AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, whether actual or perceived, whether intended or

inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by society.

The industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new solutions, continual shifts in users demands and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to constantly anticipate the emergence of new technologies and assess their market acceptance.

Our financial and operating performance may be adversely affected by general economic conditions, natural catastrophic events, epidemics, and public health crises that impact the virtual content production industry.

Our operating results will be subject to fluctuations based on general economic conditions, in particular those conditions that impact the metaverse industry. Deterioration in economic conditions could cause decreases in both volume and reduce and/or negatively impact our short-term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact our results of operations.

Our business is subject to the impact of natural catastrophic events such as earthquakes, floods or power outages, political crises such as terrorism or war, and public health crises, such as disease outbreaks, epidemics, or pandemics in the U.S. and global economies, our markets and business locations.

Similarly, natural disasters, wars (including the potential of war), terrorist activity (including threats of terrorist activity), social unrest and heightened travel security measures instituted in response, and travel-related accidents, as well as geopolitical uncertainty and international conflict, will affect travel volume and may in turn have a material adverse effect on our business and results of operations. In addition, we may not be adequately prepared in contingency planning or recovery capability in relation to a major incident or crisis, and as a result, our operational continuity may be adversely and materially affected, which in turn may harm our reputation.

As a “smaller reporting company” under applicable law, we will be subject to lessened disclosure requirements. Such reduced disclosure may make our common stock less attractive to investors.

For as long as we remain an “smaller reporting company” as defined in Rule 405 of the Securities Act and Item 10 of the Regulation S-K, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “smaller reporting companies”, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the ability to include only two years of audited financial statements and only two years of related management’s discussion and analysis of financial condition and results of operations disclosure. Because of these lessened regulatory requirements, our stockholders would be left without information or rights available to stockholders of more mature companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Any cybersecurity-related attack, significant data breach or disruption of the information technology systems, infrastructure, network, third-party processors or platforms on which we rely could damage our reputation and adversely affect our business and financial results.

Our operations rely on information technology systems for the use, storage and transmission of sensitive and confidential information with respect to our customers, our employees and other third parties. A malicious cybersecurity-related attack, intrusion or disruption by either an internal or external source or other breach of the systems on which our platform and products operate, and on which our employees conduct business, could lead to unauthorized access to, use of, loss of or unauthorized disclosure of sensitive and confidential information, disruption of our services, viruses, worms, spyware, or other malware being served from our platform, networks, or systems; and resulting regulatory enforcement actions, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair sales and harm our business. Cyberattacks and other malicious internet-based activity continue to increase, and cloud-based platform providers of products and services have been and are expected to continue to be targeted. In addition to traditional computer “hackers,” malicious code (such as viruses and worms), phishing, employee theft or misuse and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in attacks (including advanced persistent threat intrusions). Cyberattacks may also gain publishing access to our customers’ accounts on our platform, using that access to publish content without authorization.

As of December 31, 2023, we have not identified any risks from known cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. We plan to develop and implement information securities policies and incident response plans to evaluate, identify, and handle material risks associated with cybersecurity threats.

However, it is not feasible, as a practical matter, for us to entirely mitigate these risks. If our security measures are compromised as a result of third-party action, employee, customer, or user error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation would be damaged, our data, information or intellectual property, or those of our customers and our customers’ consumers, may be destroyed, stolen or otherwise compromised, our business may be harmed and we could incur significant liability. We have not always been able in the past, and may be unable in the future to anticipate or prevent techniques used to obtain unauthorized access to or compromise of our systems because they change frequently and are generally not detected until after an incident has occurred. We also cannot be certain that we will be able to prevent vulnerabilities in our software or address vulnerabilities that we may become aware of in the future.

Risks Related to Our Securities

The price of our common stock could be subject to rapid and substantial volatility. Such volatility, including any stock run-ups, may be unrelated to our actual or expected operating performance and financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock. Volatility in our common stock price may subject us to securities litigation.

The market for our common stock may have, when compared to seasoned issuers, significant price volatility and we expect that the price of our shares of common stock may continue to be more volatile than that of a seasoned issuer for the indefinite future. As a relatively small-capitalization company with a relatively small public float, we may experience greater share price volatility, extreme price run-ups, lower trading volume, and less liquidity than large-capitalization companies. In particular, our common stock may be subject to rapid and substantial price volatility, low volumes of trades, and large spreads in bid and ask prices. Such volatility, including any stock run-ups, may be unrelated to our actual or expected operating performance and financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock.

In addition, if the trading volumes of our common stock are low, persons buying or selling in relatively small quantities may easily influence the price of our common stock. This low volume of trades could also cause the price of our common stock to fluctuate greatly, with large percentage changes in price

occurring in any trading day session. Holders of our common stock may also not be able to readily liquidate their investment or may be forced to sell at depressed prices due to low volume trading. Broad market fluctuations and general economic and political conditions may also adversely affect the market price of our common stock. As a result of this volatility, investors may experience losses on their investment in our common stock. A decline in the market price of our common stock also could adversely affect our ability to issue additional common stock or other securities and our ability to obtain additional financing in the future. No assurance can be given that an active market in our common stock will develop or be sustained. If an active market does not develop, holders of our common stock may be unable to readily sell the shares they hold or may not be able to sell their shares at all.

In addition, in the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities to the Company and could divert our management's attention and resources.

We will need additional capital in the future. If additional capital is not available, we may not be able to continue to operate our business pursuant to our business plan or we may have to discontinue our operations entirely. Raising additional capital by issuing shares may cause dilution to existing shareholders.

We are currently authorized to issue 200,000,000 shares of common stock. As of April 1, 2024, we had 7,887,411 shares of common stock issued and outstanding.

We will require additional capital in the future. We have incurred losses in each year since our inception. If we continue to use cash at our historical rates of use we will need significant additional financing, which we may seek through a combination of private and public equity offerings, debt financings and collaborations and strategic and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms of any such offerings may include liquidation or other preferences that may adversely affect the then existing shareholders rights. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring debt or making capital expenditures. If we raise additional funds through collaboration, strategic alliance or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that are not favorable to us.

Future sales of our common stock could reduce the market price of the common stock.

Substantial sales of our common stock may cause the market price of our common stock to decline. Sales by us or our security holders of substantial amounts of our common stock, or the perception that these sales may occur in the future, could cause a reduction in the market price of our common stock.

The issuance of any additional shares of our common stock or any securities that are exercisable for or convertible into our common stock, may have an adverse effect on the market price of the common stock and will have a dilutive effect on our existing shareholders and holders of common stock.

We do not know whether a market for the common stock will be sustained or what the trading price of the common stock will be and as a result it may be difficult for you to sell your shares.

Although our common stock trade on Nasdaq, an active trading market for the common stock may not be sustained. It may be difficult for you to sell your shares without depressing the market price for the common stock. As a result of these and other factors, you may not be able to sell your shares. Further, an inactive market may also impair our ability to raise capital by selling common stock, or may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares as consideration.

We have no plans to pay dividends on our shares, and you may not receive funds without selling the shares.

We have not declared or paid any cash dividends on our common stock, nor do we expect to pay any cash dividends on our common stock for the foreseeable future. We currently intend to retain any additional future earnings to finance our operations and growth and, therefore, we have no plans to pay cash dividends on our common stock at this time. Any future determination to pay cash dividends on our common stock will be at the discretion of our board of directors and will be dependent on our earnings, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our board of directors deems relevant. Accordingly, you may have to sell some or all of the shares in order to generate cash from your investment. You may not receive a gain on your investment when you sell the shares and may lose the entire amount of your investment.

A possible "short squeeze" due to a sudden increase in demand of our common stock that largely exceeds supply may lead to additional price volatility.

Historically there has not been a large short position in our common stock. However, in the future investors may purchase shares of our common stock to hedge existing exposure or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent an aggregate short exposure in our common stock becomes significant, investors with short exposure may have to pay a premium to purchase shares for delivery to share lenders at times if and when the price of our common stock increases significantly, particularly over a short period of time. Those purchases may in turn, dramatically increase the price of our common stock. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to our business prospects, financial performance or other traditional measures of value for the Company or its common stock.

In the event that our common stocks are delisted from Nasdaq, U.S. broker-dealers may be discouraged from effecting transactions in our common stocks because they may be considered penny stocks and thus be subject to the penny stock rules.

The SEC has adopted a number of rules to regulate "penny stock" that restricts transactions involving stock which is deemed to be penny stock. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Exchange Act. These rules may have the effect of reducing the liquidity of penny stocks. "Penny stocks" generally are equity securities with a price of less than \$5.00 per share (other than securities registered on certain national securities exchanges or quoted on Nasdaq if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our common stocks could be considered to be a "penny stock" within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U.S. broker-dealers may discourage such broker-dealers from effecting transactions in our common stocks, which could severely limit the market liquidity of such common stocks and impede their sale in the secondary market.

A U.S. broker-dealer selling a penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with a net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the "penny stock" regulations require the U.S. broker-dealer to deliver, prior to any transaction involving a "penny stock", a disclosure schedule prepared in accordance with SEC standards relating to the "penny stock" market, unless the broker-dealer or the transaction is otherwise exempt. A U.S. broker-dealer is also required to disclose commissions payable to the U.S. broker-dealer and the registered representative and current quotations for the securities. Finally, a U.S. broker-dealer is required to submit monthly statements disclosing recent price information with respect to the "penny stock" held in a customer's account and information with respect to the limited market in "penny stocks".

The market for "penny stocks" has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

Item 1B. Unresolved Staff Comments

None.

36

Item 1C. Cybersecurity

To meet our business objectives, we rely on both internal information technology (IT) systems and networks, and those of third parties and their vendors, to process and store sensitive data, including confidential research, business plans, financial information, intellectual property, and personal data of ours and our customers that may be subject to legal protection, and promote the continuity of our Company's business operations. In the ordinary course of our business, we receive, process, use, store, and share digitally certain data, including user data as well as confidential, sensitive, proprietary, and personal information.

Maintaining the integrity and availability of our IT systems and this information, as well as appropriate limitations on access and confidentiality of such information, is important to our operations and business strategy. We plan to develop and implement information securities policies and incident response plans to evaluate, identify, and handle material risks associated with cybersecurity threats.

As of December 31, 2023, we have not identified any risks from known cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. However, we face certain ongoing cybersecurity threats that, if realized, are reasonably likely to materially affect us. Additional information on cybersecurity risks we face is discussed in Part I, Item 1A, "Risk Factors."

Item 2. Properties

Facilities

Our current executive office is located at 810 Seventh Avenue, 22nd Floor, New York, NY 10019. The rent for this space is approximately \$31,000 per month. The term of the lease is five years and five months, starting from September 22, 2023. We consider our current office space adequate for our current operations.

Intellectual Properties

We entered into a software purchase agreement with Northeast Management LLC, a seller unaffiliated with us. Pursuant to the software purchase agreement, we purchased all of the seller's right, title, and interest in and to the software, Tribal Light. We have used and plan to continue using the software to develop video games. We operate the game through interactive live stream, facilitating real-time engagement between players and viewers through interactive features embedded within the live streaming platform.

We have the right to use the two domains: gdculturegroup.com and aicatalysis.com.

Item 3. Legal Proceedings

To the knowledge of our management, there is no litigation currently pending or contemplated against us, any of our officers or directors in their capacity as such or against any of our property.

Item 4. Mine Safety Disclosures

Not applicable.

37

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

(a) Market Information

Our common stock is traded on the Nasdaq Capital Market under the symbol "GDC".

(b) Holders

On April 1, 2024, there are approximately 336 holders of record of our common stock.

(c) Dividends

We have not paid any cash dividends on our common stock to date and do not intend to pay cash dividends in the foreseeable future. In addition, our board of directors is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans.

We established our 2019 Equity Incentive Plan (the "Plan"). The Plan was approved by our board of directors on December 12, 2019 and was approved by our stockholders at our annual meeting in 2019. The purpose of the Plan is to grant stock and options to purchase our common stock to our employees, directors and key consultants. The maximum number of shares of common stock that may be issued pursuant to awards granted under the Plan, is 3,000,000 shares.

The following summary briefly describes the principal features of the Plan and is qualified in its entirety by reference to the full text of the Plan.

Administration. Our Compensation Committee of the Board of Directors will administer the Plan. The Committee will have the authority to determine the terms and conditions of any agreements evidencing any Awards granted under the Plan and to adopt, alter and repeal rules, guidelines and practices relating to the Plan. Our Compensation Committee will have full discretion to administer and interpret the Plan and to adopt such rules, regulations and procedures as it deems necessary or advisable.

Eligibility. Current or prospective employees, directors, officers, advisors or consultants of the Company or its affiliates are eligible to participate in the Plan. Our Compensation Committee has the sole and complete authority to determine who will be granted an award under the Plan, however, it may delegate such authority to one or more officers of the Company under the circumstances set forth in the Plan.

Number of Shares Authorized. The Plan provides for an aggregate of Three Million (3,000,000) common stock to be available for awards. If an award is forfeited or if any option terminates, expires or lapses without being exercised, the common stock subject to such award will again be made available for future grant. Shares of common stock that are used to pay the exercise price of an option or that are withheld to satisfy the Participant's tax withholding obligation will not be available for re-grant under the Plan.

Each common stock subject to an option or a stock appreciation right will reduce the number of common stock available for issuance by one share, and each common stock underlying an award of restricted stock, restricted stock units, stock bonus awards and performance compensation awards will reduce the number of common stock available for issuance by one share.

If there is any change in our corporate capitalization, the Compensation Committee in its sole discretion may make substitutions or adjustments to the number of shares reserved for issuance under our Plan, the number of shares covered by awards then outstanding under our Plan, the limitations on awards under our Plan, the exercise price of outstanding options and such other equitable substitution or adjustments as it may determine appropriate.

The Plan has a term of ten years and no further awards may be granted under the Plan after that date.

Awards Available for Grant. Our Compensation Committee may grant awards of con-qualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing.

Options. Our Compensation Committee will be authorized to grant options to purchase common stock that are either "qualified," meaning they are intended to satisfy the requirements of Internal Revenue Code of 1986 (the "Code") Section 422 for incentive stock options, or "non-qualified," meaning they are not intended to satisfy the requirements of Section 422 of the Code. Options granted under the Plan will be subject to the terms and conditions established by our Compensation Committee. Under the terms of the Plan, the exercise price of the options will be set forth in the applicable Award agreement. Options granted under the Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by our Compensation Committee and specified in the applicable award agreement. The maximum term of an option granted under the Plan will be ten years from the date of grant (or five years in the case of a qualified option granted to a 10% stockholder).

Stock Appreciation Rights. Our Compensation Committee will be authorized to award stock appreciation rights (or SARs) under the Plan. SARs will be subject to the terms and conditions established by our Compensation Committee. An SAR is a contractual right that allows a participant to receive, either in the form of cash, shares or any combination of cash and shares, the appreciation, if any, in the value of a share over a certain period of time. An Option granted under the Plan may include SARs and SARs may also be awarded to a participant independent of the grant of an option. SARs granted in connection with an option shall be subject to terms similar to the option corresponding to such SARs. SARs shall be subject to terms established by our Compensation Committee and reflected in the award agreement.

Restricted Stock. Our Compensation Committee will be authorized to award restricted stock under the Plan. Our Compensation Committee will determine the terms of such restricted stock awards. Restricted stock is common stock that generally is non-transferable and subject to other restrictions determined by our Compensation Committee for a specified period. Unless our Compensation Committee determines otherwise or specifies otherwise in an award agreement, if the participant terminates employment or services during the restricted period, then any unvested restricted stock is forfeited.

Restricted Stock Unit Awards. Our Compensation Committee will be authorized to award restricted stock unit awards. Our Compensation Committee will determine the terms of such restricted stock units. Unless our Compensation Committee determines otherwise or specifies otherwise in an award agreement, if the participant terminates employment or services during the period of time over which all or a portion of the units are to be earned, then any unvested units will be forfeited.

Stock Bonus Awards. Our Compensation Committee will be authorized to grant awards of unrestricted common stock or other awards denominated in common stock, either alone or in tandem with other awards, under such terms and conditions as our Compensation Committee may determine.

Performance Compensation Awards. Our Compensation Committee will be authorized to grant any award under the Plan in the form of a performance compensation award by conditioning the vesting of the award on the attainment of specific levels of performance of the Company and/or one or more affiliates, divisions or operational units, or any combination thereof, as determined by the Compensation Committee.

Transferability. Each award may be exercised during the participant's lifetime only by the participant or, if permissible under applicable law, by the participant's guardian or legal representative and may not be otherwise transferred or encumbered by a participant other than by will or by the laws of descent and distribution. Our Compensation Committee, however, may permit awards (other than incentive stock options) to be transferred to family members, a trust for the benefit of such family members, a partnership or limited liability company whose partners or stockholders are the participant and his or her family members or anyone else approved by it.

Amendment. The Plan has a term of ten years. Our Board may amend, suspend or terminate the Plan at any time; however, stockholder approval to amend the Plan may be necessary if the law or the rules of the national exchange so requires. No amendment, suspension or termination will impair the rights of any participant or recipient of any Award without the consent of the participant or recipient.

Change in Control. Except to the extent otherwise provided in an award agreement or as determined by the Compensation Committee in its sole discretion, in the event of a change in control, all outstanding options and equity awards (other than performance compensation awards) issued under the Plan will become fully vested and performance compensation awards will vest, as determined by our Compensation Committee, based on the level of attainment of the specified performance goals.

(e) Recent Sales of Unregistered Securities

The Company cancelled 133,333 shares of common stock on March 9, 2023. See "Part I – Item 1. Business – Recent Business Development – Disposition of Wuge."

The Company issued (i) unregistered warrants to purchase up to 1,154,519 shares of common stock in a private placement concurrent with registered direct offering on May 4, 2023, which were exchanged for pre-funded warrants to purchase up to 577,260 shares of common stock on November 3, 2023 and (ii) warrants to the placement agent to purchase up to 115,452 shares of common stock on May 16, 2023. See "Part I – Item 1. Business – Recent Business Development – May 2023 Offering."

The Company issued 187,500 shares of common stock on June 26, 2023. See "Part I – Item 1. Business – Recent Business Development – Software Purchase Agreement dated June 22, 2023."

The Company issued 400,000 shares of common stock on January 11, 2024. See "Part I – Item 1. Business – Recent Business Development – Equity Purchase Agreement dated October 27, 2023 and the Amendment to the Equity Purchase Agreement dated November 10, 2023."

The Company issued warrants to purchase up to 331,236 shares of common stock to the placement agent of a registered direct offering on November 3, 2023. See "Part I – Item 1. Business – Recent Business Development – November 2023 Offering."

The Company issued warrants to purchase up to 40,514 shares of common stock to the placement agent of a registered direct offering on March 26, 2024. See "Part I – Item 1. Business – Recent Business Development – March 2024 Offering."

(f) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. [Reserved]

Item 7. 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 financial statements, and the notes to those 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 avatars 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 "Trible 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 "Trible Light," we have also introduced other licensed games on the same TikTok account, providing a diverse gaming experience for the players.

We aim 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.

Our principal executive office is located at 810 Seventh Avenue, 22nd Floor, New York, NY 10019, and our telephone number is: +1-347-2590292.

Discontinued Business

Prior to September 28, 2022, we also conducted business through Sichuan Wuge Network Games Co., Ltd. ("Wuge") and Makesi WFOE. Makesi WFOE had a series of contractual arrangement with Wuge that established a VIE structure. For accounting purposes, Makesi WFOE was the primary beneficiary of Wuge. Accordingly, under U.S. GAAP, GDC treated Wuge as the consolidated affiliated entity and has consolidated Wuge's financial statements prior to September 28, 2022. Wuge focused its business on research, development and application of Internet of Things (IoT) and electronic tokens Wuge digital door signs. On September 28, 2022, Makesi WFOE entered into a termination agreement with Wuge and the shareholders of Wuge to terminate the VIE agreements and to cancel the shares previously issued to the shareholders of Wuge, based on the average closing price of \$0.237 per share of the Company during the 30 trading days immediately prior to the date of the termination agreement. As a result of such termination, the Company no longer treats Wuge as a consolidated affiliated entity or consolidates the financial results and balance sheet of Wuge in the Company's consolidated financial statements under U.S. GAAP.

Prior to June 26, 2023, we had a subsidiary TMSR Holdings Limited ("TMSR HK"), which owns 100% equity interest in Makesi WFOE. Makesi WFOE had a series of contractual arrangement with Yuan Ma that established a VIE structure. For accounting purposes, Makesi WFOE was the primary beneficiary of Yuan Ma. Accordingly, under U.S. GAAP, GDC treated Yuan Ma as the consolidated affiliated entity and has consolidated Yuan Ma's financial results in GDC's consolidated 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 purchase price for the transaction contemplated by the Agreement was \$100,000. The sale of TMSR HK did not have any material impact on the Company's consolidated financial statements.

Prior to September 26, 2023, we also conducted business through Highlight Media. We had a series of contractual arrangement with Highlight Media through one of our subsidiaries, Highlight WFOE. 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 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 consolidated financial statements under U.S. GAAP.

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 financial 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 and the transaction was completed. Up to the date of this Report, the Company owns 73.3333% of the total equity interest of Shanghai Xianzhui.

Registered Direct Offering

On May 4, 2023, the Company issued (i) 310,168 shares of common stock, (ii) registered pre-funded warrants to purchase an aggregate of up to 844,351 shares of common stock and (iii) unregistered warrants to purchase up to 1,154,519 shares of common stock in a registered direct offering and a concurrent private placement, which were exchanged for pre-funded warrants to purchase up to 577,260 shares of common stock on November 3, 2023. See "Part I – Item 1. Business – Recent Business Development – May 2023 Offering."

On November 3, 2023, the Company issued (i) 1,436,253 shares of common stock, (ii) registered pre-funded warrants to purchase an aggregate of up to 1,876,103 shares of common stock and (iii) registered warrants to purchase up to an aggregate of 3,312,356 shares of common stock in a registered direct offering. See "Part I – Item 1. Business – Recent Business Development – November 2023 Offering."

On March 26, 2024, the Company issued 810,277 shares of common stock in a registered direct offering. See "Part I – Item 1. Business – Recent Business Development – March 2024 Offering."

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-steaming, 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 during the year ended December 31, 2023 and 2022. 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

Year Ended December 31, 2023 vs. December 31, 2022

	2023	2022	Change	Percentage Change
Operating expenses	11,990,934	414,151	11,576,783	2,795.3%
Loss from operations	(11,990,934)	(414,151)	(11,576,783)	2,795.3%
Other income, net	104,419	-	104,419	100.0%
Loss before income tax from continuing operations	(11,886,515)	(414,151)	(11,472,364)	2,770.1%
Provision for income taxes	327,822	-	327,822	100.0%
Loss from continuing operations	(12,214,337)	(414,151)	(11,800,186)	2,849.2%
Net loss attributable to noncontrolling interest	(1,825,130)	-	(1,825,130)	(100.0)%
Loss from continuing operations attributable to GD Culture Group Limited	(10,389,207)	(414,151)	(9,975,056)	2,408.6%
Discontinued operations:				
Loss from discontinued operations	(2,132,049)	(26,347,195)	24,215,146	(91.9)%
Loss on disposal of discontinued operations, net of taxes	(362)	(4,060,609)	4,060,247	(100.0)%
Net Loss	(14,346,748)	(30,821,955)	16,475,207	(53.5)%

Operating Expenses

The Company's operating expenses include selling and marketing ("S&M") expenses, general and administrative ("SG&A") expenses, research and development ("R&D") expenses. S&M expenses increased to approximately \$4.7 million for the year ended December 31, 2023, compared to nil for the year ended December 31, 2022. 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 \$4.8 million from approximately \$0.4 million for the year ended December 31, 2022 to approximately \$5.2 million for the year ended December 31, 2023. The increase was mainly due to the combined impact of (i) the reduction of impairment of prepaid and other current assets, (ii) the expansion of our administrative associated personnel cost, and (iii) increase in operating and lease expenses for offices. R&D expenses increased to approximately \$2.1 million for the year ended December 31, 2023, compared to nil for the year ended December 31, 2022. 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 \$104 thousand during the year ended December 31, 2023, compared to nil for the year ended December 31, 2022. The increase was mainly due to the gain from disposal of subsidiaries.

Loss from Continuing Operations

As a result of the foregoing, loss from continuing operations for the year ended December 31, 2023 was approximately \$12.2 million, an increase of

Net Loss

The Company's net loss decreased by approximately \$16.5 million, or 59.4%, to approximately \$14.3 million net loss for the year ended December 31, 2023, from approximately \$30.8 million net loss for the year ended December 31, 2022. The decrease was mainly due to the combined impact of (i) increase in digital human and e-commerce live streaming marketing and advertising, (ii) the expansion of our administrative associated personnel cost, (iii) increase in operating and lease expenses for offices, (iv) increase in researching and development about our artificial intelligence based digital human application and (v) the reduction of impairment of goodwill and prepaid and other current assets.

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with U.S. GAAP. The preparation of these 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 13 of the 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 consolidated statements of operations and comprehensive loss for the year ended as of the reporting period.

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 to 5.5 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 of 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.

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 consolidated financial statements. The Company will adopt 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 consolidated financial statements. The Company will adopt 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.

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 December 31, 2023, our net working capital was approximately \$8.7 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 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 years ended December 31, 2023 and 2022.

	For the Years Ended December 31,	
	2023	2022
Net cash used in operating activities	\$ (13,240,484)	\$ (886,221)
Net cash used in investing activities	(5,217,314)	(12,493,352)
Net cash provided by financing activities	23,088,425	-
Effect of exchange rate change on cash and cash equivalents	155,783	(819,659)
Net change in cash and cash equivalents	\$ 4,786,410	\$ (14,199,222)

As of December 31, 2023 and December 31, 2022, the Company had cash in the amount of \$5,175,518 and \$389,108, respectively. As of December 31, 2023 and December 31, 2022, \$211,222 and \$215,880 were deposited with various financial institutions located in the PRC, respectively. As of December 31, 2023 and 2022, \$4,964,296 and \$173,228 were deposited with one financial institution located in the United States, respectively.

Operating activities

Net cash used in operating activities was approximately \$13.2 million for the year ended December 31, 2023, as compared to approximately \$0.9 million net cash used in operating activities for the year ended December 31, 2022. Net loss for the year ended December 31, 2023 was approximately \$14.3 million, as compared to \$30.8 million for the year ended December 31, 2022. Adjustments to reconcile net loss to net cash used in operating activities decreased by \$28.8 million, mainly due to the reduction of impairment of prepaid and other current assets and goodwill for approximately \$24.6 million and reduction of loss from disposal of discontinued operations or subsidiaries of \$4.2 million and changes in operating assets and liabilities decreased approximately \$0.5 million, mainly caused by the decrease of \$2.2 million of change in customer deposits and \$0.3 million of change in deferred tax liability, partially net off by the increase of approximately \$1 million of change in other payable-related parties, the increase of approximately \$1.2 million of change in prepaid and other current assets and the increase of approximately \$0.3 million of change in other assets.

Investing activities

Net cash used in investing activities was \$5.2 million for the year ended December 31, 2023, as compared to approximately \$12.5 million net cash used in investing activities for the year ended December 31, 2022. Net cash used in investing activities was decreased by approximately \$7.3 million, mainly due to the decrease of the net cash impact from the disposal of discontinued operations or subsidiaries amounted to approximately \$12.9 million, partially offset by purchase of intangible assets with the amount of \$2.9 million and investment in convertible notes of Liquid Marketplace Corp and DigiTrax Entertainment Inc. with the amount of \$2.5 million.

Financing activities

Net cash provided by financing activities was \$23.1 million for the year ended December 31, 2023, as compared to nil net cash provided by financing activities for the year ended December 31, 2022. Net cash provided by financing activities was mainly due to approximately \$12.5 million of issuance of common stock, \$5.1 million proceeds from issuance of pre-funded warrants and contribution by noncontrolling interest shareholder with the amount of \$5.5 million.

Risks

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 7A. Quantitative and Qualitative Disclosures about Market Risk

Disclosure in response to this Item is not required for a smaller reporting company.

Item 8. Financial Statements and Supplementary Data

Reference is made to Pages F-1 through F-37 comprising a portion of this Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

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. The report of Enrome LLP on the financial statements of the Company for the fiscal year ended December 31, 2022 and the related statements of operations and comprehensive income (loss), changes in stockholders' equity (deficit), and cash flows for the fiscal year ended December 31, 2022 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The decision to change the independent registered public accounting firm was recommended and approved by the Audit Committee and the Board of Directors of the Company. Since the engagement of Enrome LLP in September 2022 and through October 9, 2023, the date of dismissal, (a) there were no disagreements with Enrome LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Enrome LLP, would have caused it to make reference thereto in its reports on the financial statements for such years and (b) there were no "reportable events" as described in Item 304(a)(1)(v) of Regulation S-K.

On October 12, 2023, the Audit Committee and the Board of Directors of GD Culture Group Limited (the "Company") approved the appointment of HTL as its new independent registered public accounting firm to audit the Company's financial statements. During the two most recent fiscal years ended December 31, 2022 and 2021 and any subsequent interim periods through the date hereof prior to the engagement of HTL, neither the Company, nor someone on its behalf, has consulted HTL regarding:

- (i) either: the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and either a written report was provided to the Company or oral advice was provided that the new independent registered public accounting firm concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or
- (ii) any matter that was either the subject of a disagreement as defined in paragraph 304(a)(1)(iv) of Regulation S-K or a reportable event as described in paragraph 304(a)(1)(v) of Regulation S-K.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officers, 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.

Management's Report on Internal Controls Over Financial Reporting

As required by the SEC rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide

reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

A "material weakness" is defined under the SEC rules as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by our internal controls. As a result of its review, management concluded that we had material weaknesses in our internal control over financial reporting process consisting of the following:

- Inadequate U.S. GAAP expertise. The current accounting staff is inexperienced in applying U.S. GAAP standard as they are primarily engaged in ensuring compliance with PRC accounting and reporting requirement for our consolidated operating entities, and thus require substantial training. The current staff's accounting skills and understanding as to how to fulfill the requirements of U.S. GAAP-based reporting, including subsidiary financial statements consolidation, are inadequate.

51

- No formal plan to provide applicable training for our financial and accounting staff to enhance our understanding of U.S. GAAP and internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at December 31, 2023. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that our internal control over financial reporting was not effective at December 31, 2023 due to the material weaknesses identified by our management as described above.

Management Plan to Remediate Material Weaknesses

- We plan to engage outside consultant to supplement efforts to improve our internal control over financial reporting;
- We plan to acquire applicable training for our financial and accounting staff to enhance our understanding of U.S. GAAP and internal control over financial reporting

Changes in Internal Control over Financial Reporting

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.

Item 9B. Other Information

None .

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

52

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the name, age and position of each of our executive officers and directors as of the date of this report:

Name	Age	Position
Xiao Jian Wang	35	Chief Executive Officer, President, Chairman of the Board, and Director
Zihao Zhao	29	Chief Financial Officer
Lu Cai	33	Chief Operating Officer
Shuang Zhang	54	Vice President and Director
Mingyue Cai ⁽¹⁾⁽²⁾⁽³⁾	46	Director, Chairman of the Compensation Committee
Shuaiheng Zhang ⁽¹⁾⁽²⁾⁽³⁾	60	Director, Chairman of the Audit Committee
Yi Zhong ⁽¹⁾⁽²⁾⁽³⁾	32	Director, Chairman of the Nominating and Corporate Governance Committee

(1) Member of our Audit Committee

(2) Member of our Compensation Committee

(3) Member of our Nominating and Corporate Governance Committee

Business Experience and Directorships

The following describes the backgrounds of the director. Our board of directors has determined that (a) other than Messrs. Xiao Jian Wang and Shuang Zhang, all of our directors are independent directors as defined under the Nasdaq Stock Market's listing standards governing members of boards of directors, and (b) the members of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee are independent under applicable SEC rules.

Mr. Xiao Jian Wang

Mr. Xiao Jian Wang was appointed as the Chief Executive Officer, President, Chairman of the Board and a director of the Company, effective April 21, 2023. Mr. Wang was the Vice President of Business Development at Foregrowth Inc. in Vancouver, Canada, where he formulated and executed comprehensive business plans, achieving defined sales targets and driving market expansion, conducted training sessions for financial advisors, equipping them with in-depth knowledge of compliance requirements, market insights, and product features, and conducted extensive research and due diligence on potential alternative investment opportunities, resulting in successful acquisitions and partnerships. Prior to that, Mr. Wang was a Private Banking Consultant and an Interbank Commercial Paper Trader at China Minsheng Bank in Chongqing, China. Mr. Wang received his Bachelor of Science in Mathematics degree from University of British Columbia in 2012.

Ms. Zihao Zhao

Mr. Zihao Zhao was appointed as the Chief Financial Officer of the Company, effective April 21, 2023. Mr. Zhao was a senior audit assistant at PricewaterhouseCoopers, PWC, Shanghai from 2016 to 2019. Mr. Wang received his Bachelor of Science in Taxation degree from Shanghai Lixin University of Accounting and Finance in 2016.

Ms. Lu Cai

Ms. Lu Cai was appointed as the Chief Operating Officer of the Company, effective February 9, 2023. Ms. Lu Cai, has over 10 years of extensive experience in financial management and consulting. Since July 2020, Ms. Lu Cai has been the Chief Executive Officer of Beijing Boda Shengshi Financial Consulting Co., Ltd, a firm that offers initial public offering and pre-marketing consulting services in China. From July 2017 to May 2020, Ms. Lu Cai was a Vice President of SINO-TONE Beijing Consulting Co., Ltd, a consulting firm based in Beijing, China. Ms. Lu Cai graduated from Beijing Foreign Studies University.

Ms. Shuang Zhang

Ms. Shuang Zhang was appointed as the Vice President and a director of the Company, effective October 4, 2022. Ms. Shuang Zhang, co-founded Highlight Media in 2016 and has been its Chief Executive Officer since 2017. During her tenure as the Chief Executive Officer, Ms. Zhang managed the planning, creation and publication of books about the company history of industry leaders in China, published in top financial publications in China. From 2015 to 2016, Ms. Zhang was the director of public relations at Ctrip, an online travel company in China. From 2004 to 2015, Ms. Zhang was the editor-in-chief of China Business News, responsible for editing, performance, and quality control. Ms. Zhang received her bachelor's degree in Journalism from Heilongjiang University in China in 1991 and her Master of Business Administration degree from the Antai College of Management and Economics of Shanghai Jiaotong University.

Mr. Mingyue Cai

Mr. Cai was appointed as a director and a member of the Nominating and Corporate Governance Committee, the Compensation Committee, and the Audit Committee of the Company on February 25, 2020. Mr. Cai has been the Vice President at Yitu Safety Technology (Shenzhen) Co., Ltd., a PRC company engages in artificial intelligence development and application. From November 2009 to August 2017, he was an administrative director at Rugao Port Group Co., Ltd., a PRC company that focuses on port logistics, industrial park construction and timber, coal and ore trade. From June 2004 to October 2009, Mr. Cai worked as a manager at Shanghai Rishan Environmental Protection Technology Co., Ltd., a PRC company that distribute and retail environmentally friendly cleaning products. Mr. Cai has a bachelor's degree in administrative management.

Mr. Shuaiheng Zhang

Mr. Shuaiheng Zhang was appointed as a director and a member of the Nominating and Corporate Governance Committee, the Compensation Committee, and the Audit Committee of the Company, effective February 9, 2023. Mr. Shuaiheng Zhang, has more than 40 years of working experience in management. Since September 2019, Mr. Shuaiheng Zhang has been the general manager at Sunwoda Huizhou New Energy Co., Ltd., a high-tech enterprise with research and development, design, production and sale of lithium-ion battery cell and module and a wholly owned subsidiary of Sunwoda Electronic Co., Ltd., a company listed on the Growth Enterprise Market of Shenzhen Stock Exchange since 2011. From October 1994 to July 2013, Mr. Shuaiheng Zhang was the general manager and vice chairman of the board at Shenzhen SEG Co., Ltd., a company listed on the main board of Shenzhen Stock Exchange that are engaged in development of electronic information industry and electronic product trading market. From July 2013 to December 2015, Mr. Shuaiheng Zhang was the vice general manager at Shenzhen SI Semiconductors Co., Ltd., a power semiconductor device manufacturer. From December 2015 to September 2019, Mr. Shuaiheng Zhang was the general manager and chairman of the board of Shenzhen SEG Longyan Energy Technology CO., Ltd., a subsidiary of Shenzhen SEG Co., Ltd. Mr. Shuaiheng Zhang received his bachelor degree in mechanical engineering from Xidian University and his master degree in computer science from Tsinghua University.

Mr. Yi Zhong

Mr. Yi Zhong was appointed as a director and a member of the Nominating and Corporate Governance Committee, the Compensation Committee, and the Audit Committee of the Company, effective February 17, 2023. Mr. Yi Zhong, is experienced in fund management. Since 2014, Mr. Yi Zhong has been a fund manager at Huajian Securities in Shenzhen China, where he managed long-short equity portfolio, analyzed market trends, economic data and company financials to make investment decisions. From 2013 to 2017, Mr. Yi Zhong was a fund manager assistant at Hongouruibo Investment Fund in Shenzhen China, where Mr. Yi Zhong participated in the management of a global equity portfolio, developed and implemented investment strategies that effectively balance risk and reward. Mr. Yi Zhong received his bachelor's degree in business administration from University of Toronto.

In accordance with our existing charter, our board of directors is divided into two classes with only one class of directors being elected in each year and each class (except for those directors appointed prior to our first annual meeting of stockholders) serving a two-year term.

As discussed above, in connection with the Business Combination, our board of directors has been reconstituted and comprised of six members. Our board of directors believes it is in the best interests of the Company for the board of directors to have no separate classification, such that each director serves a one-year term until the next annual meeting of stockholders or until such director's successor is elected or qualified.

Director Independence

Nasdaq listing standards require that a majority of our board of directors be independent as long as we are not a controlled company. We anticipate that a majority of our board of directors will be independent as of the closing of the Business Combination. An "independent director" is defined under the Nasdaq rules generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which in the opinion of the company's board of directors, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. We anticipate that our board of directors will determine that Mr. Mingyue Cai, Mr. Shuaheng Zhang and Mr. Yi Zhong are "independent directors" as defined in the Nasdaq listing standards and applicable SEC rules. Our independent directors will have regularly scheduled meetings at which only independent directors are present.

Leadership Structure and Risk Oversight

The board of directors does not have a lead independent director. Currently Mr. Xiao Jian Wang serves as our Chief Executive Officer, President and Chairman of the Board.

Committees of the Board of Directors

The standing committees of our board of directors currently consists of an Audit Committee and a Compensation Committee, and after the Business Combination will also consist of a Nominating and Corporate Governance Committee. Each of the committees will report to the board of directors as they deem appropriate and as the board may request.

Audit Committee

Our Audit Committee currently consists of Mr. Shuaheng Zhang, Mr. Yi Zhong and Mr. Mingyue Cai, with Mr. Shuaheng Zhang serving as the chairman of the Audit Committee. We believe that each of these individuals qualify as independent directors according to the rules and regulations of the SEC with respect to audit committee membership. We also believe that Mr. Shuaheng Zhang qualifies as our "audit committee financial expert," as such term is defined in Item 401(h) of Regulation S-K. Our board of directors has adopted a written charter for the Audit Committee, which is attached as an exhibit to this Report.

The audit committee's duties, which are specified in our Audit Committee Charter, include, but are not limited to:

- reviewing and discussing with management and the independent auditor our annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our Form 10-K;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of the independent auditor;
- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- reviewing and approving all related-party transactions;
- inquiring and discussing with management our compliance with applicable laws and regulations;
- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;
- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies; and

Compensation Committee

Our Compensation Committee currently consists of Mr. Mingyue Cai, Mr. Shuaheng Zhang, and Mr. Yi Zhong, with Mr. Mingyue Cai serving as the chairman of the Compensation Committee. We anticipate that each of the members of our Compensation Committee will be independent under the applicable Nasdaq listing standards. Our board of directors has adopted a written charter for the Compensation Committee, which is attached as an exhibit to this Report.

The compensation committee's duties, which are specified in our Compensation Committee Charter, include, but not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer's based on such evaluation;
- reviewing and approving the compensation of all of our other executive officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our executive officers and employees;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Corporate Governance and Nominating Committee

Our Corporate Governance and Nominating Committee will be responsible for, among other matters: (1) identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors; (2) overseeing the organization of our board of directors to discharge the board's duties and responsibilities properly and efficiently; (3) identifying best practices and recommending corporate governance principles; and (4) developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to us.

Our Corporate Governance and Nominating Committee currently consists of Mr. Shuaheng Zhang, Mr. Yi Zhong and Mr. Mingyue Cai, with Mr. Yi Zhong serving as the chairman of the Corporate Governance and Nominating Committee. We anticipate that each of the members of our Corporate Governance and Nominating Committee will be independent under the applicable Nasdaq listing standards. Our board of directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on our corporate website at www.ccntech.com.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, and in the past year has not served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of such Forms, during the year ended December 31, 2023, Mr. Xiao Jian Wang, Mr. Zihao Zhao, Ms. Lu Cai, Mr. Mingyue Cai, Mr. Shuaheng Zhang and Mr. Yi Zhong did not file the required Section 16 reports on time. In particular, Mr. Xiao Jian Wang failed to timely file a Form 3 in connection with his appointment as the Chief Executive Officer, President, Chairman of the Board and a director of the Company on April 21, 2023. Mr. Zihao Zhao failed to timely file a Form 3 in connection with his appointment as the Chief Financial Officer of the Company on April 21, 2023. Ms. Lu Cai failed to timely file a Form 3 in connection with her appointment as the Chief Operating Officer of the Company on February 9, 2023. Mr. Mingyue Cai failed to timely file a Form 3 in connection with his appointment as a director of the Company on February 25, 2020. Mr. Shuaheng Zhang failed to timely file a Form 3 in connection with his appointment as a director of the Company on February 9, 2023. Mr. Yi Zhong failed to timely file a Form 3 in connection with his appointment as a director of the Company on February 17, 2023.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our employees, including our chief executive officer, chief financial officer and principal accounting officer. Our Code of Ethics is attached as an exhibit to this Report. If we amend or grant a waiver of one or more of the provisions of our Code of Ethics, we intend to satisfy the requirements under Item 5.05 of Form 8-K regarding the disclosure of amendments to or waivers from provisions of our Code of Ethics that apply to our principal executive officer, principal financial officer and principal accounting officer by posting the required information on our website at the above address.

Item 11. Executive Compensation

The following table provides disclosure concerning all compensation paid for services to GDC in all capacities for our fiscal years ended December 31, 2023 and 2022 provided by (i) each person serving as our principal executive officer ("PEO"), (ii) each person serving as our principal financial officer ("PFO") and (iii) our two most highly compensated executive officers other than our PEO and PFO whose total compensation exceeded \$100,000 (collectively with the PEO, referred to as the "named executive officers" in this Executive Compensation section).

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Other Compensation (\$)	Total (\$)
Xiao Jian Wang ⁽¹⁾ (CEO, President, Chairman of the Board, and Director)	2023	34,725	65,275	-	-	-	100,000
	2022	-	-	-	-	-	-
Zihao Zhao ⁽²⁾ (CFO)	2023	20,833	-	-	-	-	20,833
	2022	-	-	-	-	-	-
Cai Lu ⁽³⁾ (COO)	2023	-	-	-	-	-	-
	2022	-	-	-	-	-	-

Shuang Zhang (4) (Vice President and Director)	2023	-	-	-	-	-	-	-
	2022	7,500	-	-	-	-	-	7,500
Hongxiang Yu (5) (Former CEO, President and Chairman of the Board)	2023	-	-	-	-	-	-	-
	2022	7,500	-	-	-	-	-	7,500
Wei Xu (6) (Former CEO, President and Chairman of the Board)	2023	7,500	-	-	-	-	-	7,500
	2022	10,000	-	-	-	-	-	10,000
Tingjun Yang (7) (Former CEO)	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Yi Li (8) (Former CFO)	2023	-	-	-	-	-	-	-
	2022	30,000	-	-	-	-	-	30,000
Jianan Liang (9) (Former COO)	2023	-	-	-	-	-	-	-
	2022	7,500	-	-	-	-	-	7,500
Tianxiang Zhu (10) (Former COO)	2023	-	-	-	-	-	-	-
	2022	15,000	-	-	-	-	-	15,000
Bibo Lin (11) (Former Vice President and Former director)	2023	-	-	-	-	-	-	-
	2022	7,500	-	-	-	-	-	7,500

- (1) Mr. Xiao Jian Wang was appointed as the Chief Executive Officer, President, Chairman of the Board and a director of the Company, effective April 21, 2023.
- (2) Mr. Zihao Zhao was appointed as the Chief Financial Officer of the Company, effective April 21, 2023.
- (3) Ms. Cai Lu was appointed as the Chief Operating Officer on February 9, 2023.
- (4) Mr. Shuang Zhang was appointed as the Vice President and a director of the Company, effective October 4, 2022.

- (5) Mr. Hongxiang Yu was appointed as the Chief Executive Officer, President, Chairman of the Board and a director of the Company, effective October 4, 2022. On April 21, 2023, Mr. Yu tendered his resignation as the Chief Executive Officer, President, Chairman of the Board and a director of the Company.
- (4) Mr. Shuang Zhang was appointed as the Vice President and a director of the Company, effective October 4, 2022.
- (6) Mr. Wei Xu was appointed as a director of the Company on January 3, 2020, as the Co-Chairman of the Board on February 25, 2020, as the President on October 29, 2020, and the CEO on January 21, 2022. On October 4, 2022, Mr. Xu tendered his resignation as the Chief Executive Officer, President, Chairman of the Company.
- (7) Mr. Tingjun Yang was appointed as the CEO of the Company on September 7, 2021. On January 21, 2022, Mr. Yang tendered his resignation as Chief Executive Officer of the Company.
- (8) Ms. Yi Li was appointed as the CFO of the Company on April 25, 2019. On April 21, 2023, Mr. Li tendered his resignation as the CFO of the Company
- (9) Mr. Jianan Liang was appointed as the COO of the Company on March 17, 2021. On April 5, 2022, Mr. Liang tendered his resignation as the COO of the Company.
- (10) Mr. Tianxiang Zhu was appointed as the COO and a director of the Company on April 5, 2022. On November 10, 2022, Mr. Tianxiang Zhu tendered his resignation as the Chief Operating Officer and a director of the Company.
- (11) Mr. Bibo Lin was appointed as the Vice President of the Company on February 25, 2020 and as the director on March 30, 2021. On October 4, 2022, Mr. Lin tendered his resignation as the Vice President and a director of the Company.

Grants of Plan Based Awards in the Fiscal Year Ended December 31, 2023

During the fiscal year ended December 31, 2023, no shares of common stock were granted to our officers and directors under the plan.

Outstanding Equity Awards at Fiscal Year-End

None.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements

We have entered into employment agreements with each of our executive officers, respectively, (each an "Employment Agreement," collectively, the "Employment Agreements"). Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a crime, or misconduct or a failure to perform agreed duties. The executive officer may resign at any time with a three-month advance written notice.

The officers also agreed to enter into additional confidential information and invention assignment agreements and are subject to certain non-compete and non-solicitation restrictions for a period one year following termination.

Director Compensation

The following table represents compensation earned by our non-executive directors in 2023.

Name	Fees earned in cash (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
Mingyue Cai ⁽¹⁾	\$ -	-	-	-	\$ -
Junhong He ⁽²⁾	\$ -	-	-	-	\$ -
Jing Zhang ⁽³⁾	\$ -	-	-	-	\$ -
Shuaheng Zhang ⁽⁴⁾	-				-
Yi Zhong ⁽⁵⁾	-				-

(1) Mr. Mingyue Cai was appointed as a director of the Company on February 25, 2020.

(2) Ms. Junhong He was appointed as a director of the Company on September 15, 2022. Ms. He resigned from her position on February 17, 2023.

(3) Ms. Jing Zhang was appointed as a director of the Company on September 15, 2022. Ms. Zhang resigned from her position on February 9, 2023.

(4) Mr. Shuaheng Zhang was appointed as a director of the Company on February 9, 2023.

(5) Mr. Yi Zhong was appointed as a director of the Company on February 17, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our common stock as of April 1, 2024 based on information obtained from the persons named below, with respect to the beneficial ownership of shares of our common stock, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- each of our executive officers and directors that beneficially owns shares of our common stock; and
- all our executive officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

The percentage ownership information shown in the table below is based on that there were 7,887,411 shares of common stock outstanding as of April 1, 2024. Unless otherwise noted, the business address of each of the following entities or individuals is 810 Seventh Avenue, 22nd Floor, New York, NY 10019.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Directors and Named Executive Officers		
Xiao Jian Wang, <i>Chief Executive Officer, President and Chairman of the Board</i>	-	-
Zihao Zhao, <i>Chief Financial Officer</i>	-	-
Lu Cai, <i>Chief Operating Officer</i>	-	-
Shuang Zhang, <i>Vice President and Director</i>	90,000	1.14 %
Mingyue Cai, <i>Director</i>	-	-
Shuaheng Zhang, <i>Director</i>	-	-
Yi Zhong, <i>Director</i>	-	-
All officers and directors as a group (7 persons):	90,000	1.14%
5% Beneficial Owner		
None		

Changes in Control

There has been no change in control during the fiscal year ended December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

Except for the employment agreements previously entered into between us and certain of our named executive officers, and the related party transaction described below, none of our directors or named executive officers, nor any person who owned of record or was known to own beneficially more than 5% of the outstanding Shares of our common stock, nor any associate or affiliate of such persons or companies, has any material interest, direct or indirect, in any transaction, or in any proposed transaction, which has materially affected or will affect us.

Other payable – related parties:

Name of related party	Relationship	Nature	December 31, 2023	December 31, 2022
Shanghai Highlight Asset Management Co. LTD ⁽¹⁾	A company in which the then shareholder hold shares	Advances	\$ -	\$ 195,732
Zihao Zhao	Chief Finance Officer	Accrued compensations	20,833	-
Total			\$ 20,833	\$ 195,732

(1) In connection with the disposal of Highlight Media on September 26, 2023, the balance of other payable -related parties as of December 31, 2022 was settled as well.

For the years ended December 31, 2023 and 2022, the Company recorded compensation expenses to its officers amounted to \$120,833 and nil, for their services provided to the Company.

Director Independence

Nasdaq listing standards require that a majority of our board of directors be independent. An "independent director" is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which in the opinion of the company's board of directors, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that Mr. Shuaiheng Zhang, Mr. Mingyue Cai and Mr. Yi Zhong are "independent directors" as defined in the Nasdaq listing standards and applicable SEC rules. Our independent directors have regularly scheduled meetings at which only independent directors are present.

Item 14. Principal Accountant Fees and Services.

HTL was appointed by the Company to serve as its independent registered public accounting firm for fiscal years ended December 31, 2023. During the period from October 11, 2022 to October 9, 2023, Enrome LLP, ("Enrome") served as the independent registered public accounting firm of the Company. The following is a summary of fees paid or to be paid to HTL or Enrome for services rendered.

Audit Fees. Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and services that are normally provided by Friedman in connection with regulatory filings. The aggregate fees billed by WWC, P.C. for professional services rendered for the audit of our annual financial statements, review of the financial information included in our Forms 10-Q for the respective periods and other required filings with the SEC for the years ended December 31, 2023 and 2022 totaled nil and \$105,000, respectively. The aggregate fees billed or to be billed by Enrome for professional services rendered for the audit of our annual financial statements, review of the financial information included in our Forms 10-Q for the respective periods and other required filings with the SEC for the years ended December 31, 2023 and 2022 totaled \$40,500 and \$140,000, respectively. The aggregate fees billed or to be billed by HTL for professional services rendered for the audit of our annual financial statements, review of the financial information included in our Forms 10-Q for the respective periods and other required filings with the SEC for the year ended December 31, 2023 was \$20,000. The above amounts include interim procedures and audit fees, as well as attendance at audit committee meetings.

Audit-Related Fees. Audit-related services consist of fees billed for assurance and related services that are reasonably related to performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. During the year ended December 31, 2023 and 2022, we did not pay HTL, Enrome or WWC, P.C. for consultations concerning financial accounting and reporting standards.

Tax Fees. We did not pay HTL, Enrome or WWC, P.C. for tax services for the years ended December 31, 2023 and 2022.

All Other Fees. We did not pay Enrome or WWC, P.C. for other services for the years ended December 31, 2023 and 2022.

Pre-Approval Policy

Our audit committee was formed upon the consummation of our initial public offering. As a result, the audit committee did not pre-approve all of the foregoing services, although any services rendered prior to the formation of our audit committee were approved by our board of directors. Since the formation of our audit committee, and on a going-forward basis, the audit committee has and will pre-approve all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

(2) Financial Statements Schedule

All financial statement schedules are omitted because they are not applicable or the amounts are immaterial and not required, or the required information is presented in the financial statements and notes thereto in is Item 15 of Part IV below.

(3) Exhibits

We hereby file as part of this Report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Room 1580, Washington D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or on the

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Articles of Incorporation, filed as exhibit 3.1 to the registration statement on Form S-1 filed on May 10, 2019 and incorporated herein by reference
3.2	Certificate of Amendment to Articles of Incorporation, filed as exhibit 3.2 to the registration statement on Form S-1 filed on May 10, 2019 and incorporated herein by reference
3.3	Certificate of Amendment of Articles of Incorporation, filed as exhibit 3.1 to the current report on Form 8-K filed on May 18, 2020 and incorporated herein by reference
3.4	Certificate of Amendment to Articles of Incorporation, filed as exhibit 3.1 to the Current Report on Form 8-K of the Company filed on November 8, 2022 and incorporated herein by reference
3.5	Certificate of Amendment to Articles of Incorporation, filed as exhibit 3.1 to the Current Report on Form 8-K of the Company filed on January 10, 2023 and incorporated herein by reference
3.6	Second Amended and Restated Bylaws, filed as exhibit 3.2 to the current report on Form 8-K filed on January 10, 2023 and incorporated herein by reference
4.1*	Description of Securities
4.2	Form of Registered Warrant, filed as exhibit 4.1 to the current report on Form 8-K filed on February 18, 2021 and incorporated herein by reference
4.3	Form of Investor Warrant, filed as exhibit 4.2 to the current report on Form 8-K filed on February 18, 2021 and incorporated herein by reference
4.4	Form of Lock-up Agreement, filed as exhibit 4.4 to the current report on Form 8-K filed on February 18, 2021 and incorporated herein by reference
4.5	Form of Placement Agent Warrant, filed as exhibit 4.3 to the current report on Form 8-K filed on February 18, 2021 and incorporated herein by reference
4.6	Form of Pre-funded Warrants, filed as Exhibit 4.1 to the current report on Form 8-K filed on May 4, 2023 and incorporate herein by reference
4.7	Form of Unregistered Warrant, filed as Exhibit 4.1 to the current report on Form 8-K filed on May 17, 2023 and incorporate herein by reference
4.8	Form of Placement Agent Warrant, filed as Exhibit 4.2 to the current report on Form 8-K filed on May 17, 2023 and incorporate herein by reference
4.9	Form of Pre-funded Warrants, filed as Exhibit 4.1 to the current report on Form 8-K filed on November 3, 2023 and incorporate herein by reference
4.10	Form of Amended and Restated Form of Registered Warrants, filed as Exhibit 4.1 to the current report on Form 8-K filed on November 17, 2023 and incorporate herein by reference

10.1	Termination Agreement dated February 23, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on February 24, 2022 and incorporated herein by reference
10.2	Share Purchase Agreement by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Yuanma Food and Beverage Management Co., Ltd. and the shareholders of Shanghai Yuanma Food and Beverage Management Co., Ltd., dated April 14, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on April 14, 2022 and incorporated herein by reference
10.3	Technical Consultation and Service Agreement, by and between Makesi IoT Technology (Shanghai) Co., Ltd. and Shanghai Yuanma Food and Beverage Management Co., Ltd., dated June 21, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on June 27, 2022 and incorporated herein by reference
10.4	Equity Pledge Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Yuanma Food and Beverage Management Co., Ltd. and the shareholders of Shanghai Yuanma Food and Beverage Management Co., Ltd., dated June 21, 2022, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on June 27, 2022 and incorporated herein by reference
10.5	Equity Option Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Yuanma Food and Beverage Management Co., Ltd. and the shareholders of Shanghai Yuanma Food and Beverage Management Co., Ltd., dated June 21, 2022, filed as exhibit 10.3 to the Current Report on Form 8-K of the Company filed on June 27, 2022 and incorporated herein by reference
10.6	Voting Rights Proxy and Financial Support Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Yuanma Food and Beverage Management Co., Ltd. and the shareholders of Shanghai Yuanma Food and Beverage Management Co., Ltd., dated June 21, 2022, filed as exhibit 10.4 to the Current Report on Form 8-K of the Company filed on June 27, 2022 and incorporated herein by reference
10.7	Share Purchase Agreement by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated September 16, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on September 19, 2022 and incorporated herein by reference
10.8	Technical Consultation and Service Agreement, by and between Makesi IoT Technology (Shanghai) Co., Ltd. and Shanghai Highlight Media Co., Ltd., dated September 16, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on October 5, 2022 and incorporated herein by reference
10.9	Equity Pledge Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated September 16, 2022, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on October 5, 2022 and incorporated herein by reference
10.10	Equity Option Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated September 16, 2022, filed as exhibit 10.3 to the Current Report on Form 8-K of the Company filed on October 5, 2022 and incorporated herein by reference
10.11	Voting Rights Proxy and Financial Support Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated September 16, 2022, filed as exhibit 10.4 to the Current Report on Form 8-K of the Company filed on October 5, 2022 and incorporated herein by reference

10.12	Agreement to Assign Technical Consultation and Service Agreement, by and between Makesi IoT Technology (Shanghai) Co., Ltd. and Shanghai Highlight Media Co., Ltd., dated February 27, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on February 27, 2023 and incorporated herein by reference
10.13	Agreement to Assign Equity Pledge Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated February 27, 2023, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on February 27, 2023 and incorporated herein by reference
10.14	Agreement to Assign Equity Option Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated February 27, 2023, filed as exhibit 10.3 to the Current Report on Form 8-K of the Company filed on February 27, 2023 and incorporated herein by reference
10.15	Agreement to Assign Voting Rights Proxy and Financial Support Agreement, by and among Makesi IoT Technology (Shanghai) Co., Ltd., Shanghai Highlight Media Co., Ltd. and the shareholders of Shanghai Highlight Media Co., Ltd., dated February 27, 2023, filed as exhibit 10.4 to the Current Report on Form 8-K of the Company filed on February 27, 2023 and incorporated herein by reference
10.16	Termination Agreement by and among Makesi IoT Technology (Shanghai) Co., Ltd., Sichuan Wuge Network Games Co., Ltd. and the shareholders of Sichuan Wuge Network Games Co., Ltd., dated September 28, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on September 30, 2022 and incorporated herein by reference
10.17	Employment Agreement between the Company and Yi Li dated April 25, 2019, filed as exhibit 10.1 to the current report on Form 8-K filed on April 26, 2019 and incorporated herein by reference
10.18	Employment Agreement between the Company and Xiangtian Zhu, dated April 5, 2022, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on April 5, 2022 and incorporated herein by reference
10.19	Employment Agreement between the Company and Hongxiang Yu, dated October 4, 2022, filed as exhibit 10.5 to the Current Report on Form 8-K of the Company filed on October 5, 2022 and incorporated herein by reference
10.20	Employment Agreement between the Company and Shuang Zhang, dated October 4, 2022, filed as exhibit 10.6 to the Current Report on Form 8-K of the Company filed on October 5, 2022 and incorporated herein by reference
10.21	Employment Agreement between the Company and Lu Cai, dated February 9, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on February 9, 2023 and incorporated herein by reference
10.22	Director Offer Letter to Junhong He, dated September 19, 2022, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on September 19, 2022 and incorporated herein by reference
10.23	Director Offer Letter to Jing Zhang, dated September 19, 2022, filed as exhibit 10.3 to the Current Report on Form 8-K of the Company filed on September 19, 2022 and incorporated herein by reference
10.24	Director Offer Letter to Shuaheng Zhang, dated February 9, 2023, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on February 9, 2023 and incorporated herein by reference
10.25	Director Offer Letter to Yi Zhong, dated February 17, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on February 17, 2023 and incorporated herein by reference

10.26	Form of Placement Agency Agreement, dated May 1, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on May 4, 2023 and incorporated herein by reference
10.27	Form of RD Securities Purchase Agreement between the Company and certain Purchasers, dated May 1, 2023, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on May 4, 2023 and incorporated herein by reference
10.28	Form of PIPE Securities Purchase Agreement between the Company and certain Purchasers, dated May 1, 2023, filed as exhibit 10.3 to the Current Report on Form 8-K of the Company filed on May 4, 2023 and incorporated herein by reference
10.29	Form of Amendment to RD Securities Purchase Agreement between the Company and certain Purchasers, dated May 16, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on May 17, 2023 and incorporated herein by reference
10.30	Form of Amendment to PIPE Securities Purchase Agreement between the Company and certain Purchasers, dated May 16, 2023, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on May 17, 2023 and incorporated herein by reference
10.31	Employment agreement between GD Culture Group Limited and Xiao Jian Wang, dated April 21, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on April 21, 2023 and incorporated herein by reference
10.32	Employment agreement between GD Culture Group Limited and Zihao Zhao, dated April 21, 2023, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on April 21, 2023 and incorporated herein by reference
10.33	Software Purchase Agreement, dated June 22, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on June 27, 2023 and incorporated herein by reference
10.34	Share Purchase Agreement, dated June 26, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on June 28, 2023 and incorporated herein by reference
10.35	Termination Agreement, dated September 26, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on September 26, 2023 and incorporated herein by reference
10.36	Placement Agency Agreement, dated November 1, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on November 3, 2023 and incorporated herein by reference
10.37	Form of Securities Purchase Agreement between the Company and certain Purchasers, dated October 31, 2023, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on November 3, 2023 and incorporated herein by reference
10.38	Form of Amendment to the Securities Purchase Agreement, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on November 17, 2023 and incorporated herein by reference
10.39	Warrant Exchange Agreement, dated November 1, 2023, filed as exhibit 10.3 to the Current Report on Form 8-K of the Company filed on November 3, 2023 and incorporated herein by reference
10.40	Amended and Restated Equity Purchase Agreement, dated November 10, 2023, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on November 13, 2023 and incorporated herein by reference
10.41	Placement Agency Agreement, dated March 22, 2024, filed as exhibit 10.1 to the Current Report on Form 8-K of the Company filed on March 26, 2024 and incorporated herein by reference
10.42	Form of Securities Purchase Agreement between the Company and certain Purchasers, dated March 22, 2024, filed as exhibit 10.2 to the Current Report on Form 8-K of the Company filed on March 26, 2024

14.1	Code of Business and Ethics, filed as exhibit 14.1 to the registration statement on Form S-1 filed on June 16, 2015 and incorporated herein by reference
19.1*	Insider Trading Policies
21.1*	List of Subsidiaries
23.1*	Consent of Enrome LLP

23.2*	Consent of HTL International, LLC
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 18 U.S.C. 1350.*
32.2	Certification of the Chief Financial Officer required by 18 U.S.C. 1350.*
97.1*	Policy Relating to Recovery of Erroneously Awarded Compensation
99.1	Form of Audit Committee Charter, filed as exhibit 99.1 to the registration statement on Form S-1 filed on June 16, 2015 and incorporated herein by reference
99.2	Form of Compensation Committee Charter, filed as exhibit 99.2 to the registration statement on Form S-1 filed on June 16, 2015 and incorporated herein by reference
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

Item 16. Form 10-K Summary

None.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm - HTL International, LLC (PCAOB ID: 7000)	F-2
Report of Independent Registered Public Accounting Firm - Enrome LLP (PCAOB ID: 6907)	F-4
Consolidated Financial Statements:	
Consolidated Balance Sheets as of December 31, 2023 and 2022	F-6
Consolidated Statements of Operations and Comprehensive Loss For the years ended December 31, 2023 and 2022	F-7
Consolidated Statements of Changes in Shareholders' Equity For the years ended December 31, 2023 and 2022	F-8
Consolidated Statements of Cash Flows For the years ended December 31, 2023 and 2022	F-10
Notes to Consolidated Financial Statements	F-11

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
GD Culture Group Limited

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of GD Culture Group Limited (the "Company") and its subsidiaries as of December 31, 2023, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positions of the Company as of December 31, 2023 and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee that: (i) relate to accounts or disclosures that are material to the consolidated financial statements, and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for Convertible Notes Receivable

The Company entered into purchase agreements for convertible notes receivable in an aggregate amount of \$2,500,000 during the year ended December 31, 2023. The Company evaluated the terms of the convertible notes 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.

F-2

We identified the accounting for convertible notes receivable as a critical audit matter due to the material balance on the balance sheet and significant judgement and assumptions were used by the Management regarding the classification and valuation of the convertible notes receivable during the year, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence relating to Management's assessment of the likelihood that the Company's intent and ability to hold the convertible notes receivable till maturity, as well as the likelihood of collection in the near term.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. The primary procedures we performed to address this critical audit matter included the following:

- We obtained an understanding of the Management's process in evaluation of the classification and the fair value of the convertible notes receivable, and reviewed the terms of convertible notes purchase agreements which was consistent with the accounting memo prepared by the Management.
- To test the fair value of the convertible notes receivable, our audit procedures included evaluating the assumptions underlying the fair value calculation prepared by the Management, obtaining an understanding of the investee's business activities and evaluated their intent and ability to hold the convertible notes to maturity without early conversion or redemption. Evaluating the reasonableness of Management's assessment related to the likelihood of collection in the near term involved consideration of whether the factors in the assessment were consistent with (i) the current and past performance of the investees, (ii) external market and industry data, and (iii) evidence obtained in other areas of the audit.
- We also evaluated the financial statements disclosures included in Note 13 to the consolidated financial statements.

/s/ HTL International, LLC

We have served as the Company's auditor since 2023.

Houston, Texas

April 2, 2024

F-3

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of
GD Culture Group Limited

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of GD Culture Group Limited and its subsidiaries (the "Company") as of December 31, 2022, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that were material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Goodwill-Shanghai Highlight Media Co., Ltd. ("Highlight Media")

As described in Note 3 and Note 10 to the consolidated financial statements, the Company acquired Highlight Media. The goodwill arising on this acquisition amounted to \$2.12 million as of December 31, 2022.

Management assessed goodwill for potential impairment as of December 31, 2022 by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated with the recoverable amount determined by assessing the value-in-use ("VIU") by preparing a discounted cash flow forecast. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate.

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company has elected to perform quantitative assessment. In the quantitative assessment, the Company's evaluation of goodwill for impairment involves the comparison of the fair value of Highlight Media to the carrying value. The Company used the discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and operating margins. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge. Based on the quantitative assessment performed, if it is more likely than not that the fair value is less than its carrying amount. During the year ended December 31, 2022, no impairment charge on goodwill arising on this acquisition of Highlight Media was recognized based on the quantitative assessment performed.

We identified goodwill impairment for the Highlight Media as a critical audit matter because it is the material to the consolidated financial statements of the Company and certain significant judgments in respect of the assumption made which are inherently uncertain and could be subject to management bias made by management to estimate the fair value of the Highlight Media and the difference between its fair value and carrying value. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rate and forecasts of future revenue and operating margin.

Our audit procedures relating to the discount rate and forecasts of future revenue and operating margin used by management to estimate the fair value of the Highlight Media included the following, among others:

- We evaluated management's ability to accurately forecast future revenues and operating margins by comparing actual results to management's forecasts.
- We evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
 - a. Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation;
 - b. Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Enrome LLP
 Certified Public Accountants
 PCAOB ID: 6907

We have served as the Company's auditor since September 23, 2022.

Singapore
 March 31, 2023

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	<u>ASSETS</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,175,518	\$ 389,108	
Accounts receivable, net	-	194,520	
Other receivables, net	9,459	1,026,293	
Convertible notes receivable	2,602,027	-	
Prepaid and other current assets	1,290,890	-	
Total current assets	<u>9,077,894</u>	<u>1,609,921</u>	
EQUIPMENT, NET	12,511	502	
RIGHT-OF-USE ASSETS	1,561,058	-	
OTHER ASSETS			

Goodwill			2,190,485
Intangible assets, net		3,307,949	-
Other assets		250,740	-
Total other assets		3,558,689	2,190,485
Total assets		<u>\$ 14,210,152</u>	<u>\$ 3,800,908</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 127,475	
Other payables and accrued liabilities	23,338	2,099	
Other payable - related parties	20,833	195,732	
Lease liabilities - current	358,998	-	
Taxes payable	-	8,478	
Total current liabilities	<u>403,169</u>	<u>333,784</u>	
OTHER LIABILITIES			
Lease liabilities – non-current	1,317,678	-	
Deferred tax liabilities	327,822	-	
Total other liabilities	<u>1,645,500</u>	<u>-</u>	
Total liabilities	<u>2,048,669</u>	<u>333,784</u>	
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY			
Preferred stock, \$ 0.0001 par value, 20,000,000 shares authorized, no shares issued and outstanding as of December 31, 2023 and 2022, respectively	-	-	
Common stock, \$ 0.0001 par value, 200,000,000 shares authorized, 5,453,416 and 1,844,877 ⁽¹⁾ shares issued and outstanding as of December 31, 2023 and 2022, respectively	545	184	
Additional paid-in capital	77,530,221	60,124,087	
Statutory reserves	-	4,467	
Accumulated deficit	(69,358,225)	(56,841,074)	
Accumulated other comprehensive income	175,306	179,460	
Total GD Culture Group Limited shareholders' equity	<u>8,347,847</u>	<u>3,467,124</u>	
Noncontrolling interest	3,813,636	-	
Total shareholders' equity	<u>12,161,483</u>	<u>3,467,124</u>	
Total liabilities and shareholders' equity	<u>\$ 14,210,152</u>	<u>\$ 3,800,908</u>	

(1) Giving retroactive effect to the 1-for-30 reverse stock split effective on November 9, 2022.

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

F-6

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES			
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS			
	For the years ended December 31,		
	2023		
	2022		
OPERATING EXPENSES			
Selling and marketing expenses	4,682,804	-	
General and administrative expenses	5,235,630	414,151	
Research and development expenses	2,072,500	-	
TOTAL OPERATING EXPENSES	11,990,934	414,151	
LOSS FROM OPERATIONS	(11,990,934)	(414,151)	
OTHER INCOME (EXPENSE)			
Interest income	4,500	-	
Interest expense	(81)	-	
Gain from disposal of subsidiaries	100,000	-	
TOTAL OTHER INCOME, NET	104,419	-	
LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	(11,886,515)	(414,151)	
PROVISION FOR INCOME TAXES	327,822	-	
LOSS FROM CONTINUING OPERATIONS	(12,214,337)	(414,151)	
Net loss from continuing operations attributable to noncontrolling interest	(1,825,130)	-	
Net loss from continuing operations attributable to shareholders of common stock	(10,389,207)	(414,151)	
Discontinued operations:			
Loss from discontinued operations, net of taxes	(2,132,049)	(26,347,195)	
Loss on disposal of discontinued operations, net of taxes	(362)	(4,060,609)	

NET LOSS		(14,346,748)	(30,821,955)
Net loss attributable to noncontrolling interest		(1,825,130)	-
Net loss attributable to shareholders of common stock		(12,521,618)	(30,821,955)
Other comprehensive gain or loss			
- Foreign currency translation adjustment		48,655	(46,397)
- Unrealized gain on available-for-sale investments, net of tax		102,027	-
OTHER COMPREHENSIVE GAIN (LOSS), net of tax		150,682	(46,397)
COMPREHENSIVE LOSS, net of tax		\$ (14,196,066)	\$ (30,868,352)
Comprehensive loss attributable to noncontrolling interest		(1,670,294)	-
Comprehensive loss attributable to shareholders of common stock		(12,525,772)	(30,868,352)
WEIGHTED AVERAGE NUMBER OF COMMON STOCKS			
Basic and diluted		3,227,302	1,531,316
Loss per share from continuing operations			
Basic and diluted		\$ (3.22)	\$ (0.27)
Loss per share from discontinued operations			
Basic and diluted		\$ (0.66)	\$ (19.86)
Loss per share available to common stockholders			
Basic and diluted		\$ (3.88)	\$ (20.13)

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

F-7

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2023

	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		Statutory Reserves	Unrestricted				
BALANCE, January 1, 2023	-	-	1,844,877	\$ 184	\$ 60,124,087	\$ 4,467	\$ 56,841,074	\$ 179,460	3,467,124	\$ -	\$ 3,467,124
Reclassification of statutory reserves due to disposal	-	-	-	-	-	(4,467)	4,467	-	-	-	-
Net loss	-	-	-	-	-	-	12,521,618)	-	(12,521,618)	1,825,130)	(14,346,748)
Issuance of common stock for cash, net of offering costs	-	-	2,590,772	259	12,515,193	-	-	-	12,515,452	-	12,515,452
Issuance of common stock for acquisition right, title, and interest in and to the certain software	-	-	187,500	19	749,981	-	-	-	750,000	-	750,000
The cancellation of the common stock	-	-	(133,333)	(13)	(947,987)	-	-	-	(948,000)	-	(948,000)
Contribution by noncontrolling interest shareholder	-	-	-	-	-	-	-	-	-	5,483,930	5,483,930
Issuance of 1,876,103 pre-funded warrants for cash, net of offering costs	-	-	-	-	5,089,043	-	-	-	5,089,043	-	5,089,043
Exercise of pre-funded warrants	-	-	963,600	96	(96)	-	-	-	-	-	-
Fair value changes of on available-for-sale investments	-	-	-	-	-	-	-	102,027	102,027	-	102,027
Foreign currency translation	-	-	-	-	-	-	-	(106,181)	(106,181)	154,836	48,655
BALANCE, December 31, 2023	-	\$ -	5,453,416	\$ 545	\$ 77,530,221	\$ -	\$ 69,358,225	\$ 175,306	\$ 8,347,847	\$ 3,813,636	\$ 12,161,483

F-8

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2022

	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Accumulated Statutory Reserves	Accumulated Unrestricted	Accumulated Other Comprehensive Income	Accumulated Total
	Shares	Amount	Shares	Amount						
BALANCE, January 1, 2022	-	-	1,543,793	154	83,038,827	25,165,728	-	26,019,119	225,857	32,079,991
Net loss	-	-	-	-	-	-	-	30,821,955	-	30,821,955
Issuance of common stock for acquisition Yuan Ma	-	-	256,000	26	7,679,974	-	-	-	-	7,680,000
Issuance of common stock for acquisition Highlight Media	-	-	300,000	30	2,249,970	-	4,467	-	-	2,254,467
The cancellation of the common stock	-	-	(254,916)	(26)	32,844,684	-	-	-	-	32,844,710
Stock subscription receivable from issuance of common stock	-	-	-	-	-	25,165,728	-	-	-	25,165,728
Foreign currency translation	-	-	-	-	-	-	-	-	(46,397)	(46,397)
BALANCE, December 31, 2022	-	\$ -	1,844,877	\$ 184	\$ 60,124,087	\$ -	\$ 4,467	\$ 56,841,074	\$ 179,460	\$ 3,467,124

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

F-9

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

**For the years ended
December 31,**

2023

2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Loss	\$ (14,346,748)	\$ (30,821,955)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of equipment	1,679	718
Amortization of intangible assets	345,155	-
Lease expenses of right-of-use assets	106,159	-
Impairment of prepaid and other current assets	-	20,082,123
(Gain)/loss from the disposal of discontinued operations or subsidiaries	(99,638)	4,060,609
Impairment of goodwill	2,070,753	6,590,339
Change in operating assets and liabilities		
Accounts receivable	97,804	(158,392)
Other receivables	(14,283)	1,540
Other receivable - related party	-	189,320
Inventories	-	(2,946)
Prepaid and other current assets	(1,291,192)	(66,823)
Other assets	(250,740)	-
Accounts payable	(127,297)	291,234
Other payables and accrued liabilities	10,457	227,636
Customer deposits	68,531	(2,116,847)
Lease liabilities	9,459	-
Taxes payable	(8,478)	(484)
Other payable - related parties	(139,927)	837,717
Deferred tax liability	327,822	-
Net cash used in operating activities	(13,240,484)	(886,211)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net increase in cash from acquisition of Highlight Media	-	215,880
Net increase (decrease) in cash from disposal of discontinued operations or subsidiaries	199,980	(12,702,666)
Purchase of intangible assets	(2,903,104)	-
Purchase of equipment	(14,190)	(6,566)
Purchase of convertible notes	(2,500,000)	-
Net cash used in investing activities	(5,217,314)	(12,493,352)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of common stock	12,515,452	-
Proceeds from issuance of pre-funded warrants	5,089,043	-
Contribution by noncontrolling interest shareholder	5,483,930	-
Net cash provided by financing activities	23,088,425	-

EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS

155,783

(819,659)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,786,410	(14,199,222)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	389,108	14,588,330
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,175,518	\$ 389,108
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	\$ -	\$ -
Cash paid for interest	\$ -	\$ 1,022
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for acquisition right, title, and interest in and to the certain software	\$ 750,000	\$ -
Issuance of common stock for acquisition of Yuan Ma	\$ -	\$ 7,680,000
Issuance of common stock for acquisition of Highlight Media	\$ -	\$ 2,250,000
The cancellation of the common stock	\$ 948,000	\$ 32,844,710
Exercise of pre-funded warrants	\$ 96	\$ -
Fair value changes of convertible notes receivable	\$ 102,027	\$ -

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

F-10

GD CULTURE GROUP LIMITED AND SUBSIDIARIES

NOTES TO 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 Xianzhu Technology Co., Ltd. ("SH Xianzhu"). 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 Xianzhu was incorporated by Highlight WFOE and other two shareholders on August 10, 2023. SH Xianzhu is principally engaged in the provision of social media marketing agency service. Highlight WFOE owns 73.3333 % of the total equity interest of SH Xianzhu. 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 Xianzhu 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. Up to the date of the financial statements were issued, the Company owns 73.3333 % of the total equity interest of SH Xianzhu.

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 September 28, 2022, the Company also conducted business through Sichuan Wuge Network Games Co., Ltd. ("Wuge"). Makesi WFOE had a series of contractual arrangement with Wuge that established a variable interest entity (the "VIE") structure. For accounting purposes, Makesi WFOE was the primary beneficiary of Wuge. Accordingly, under U.S. GAAP, GDC treated Wuge as the consolidated affiliated entity and has consolidated Wuge's financial statements prior to September 28, 2022. Wuge focused its business on research, development and application of Internet of Things (IoT) and electronic tokens Wuge digital door signs. On September 28, 2022, Makesi WFOE entered into a termination agreement with Wuge and the shareholders of Wuge to terminate the VIE Agreements and to cancel the shares previously issued to the shareholders of Wuge, based on the average closing price of \$ 0.237 per share of the Company during the 30 trading days immediately prior to the date of the termination agreement. As a result of such termination, the Company no longer treats Wuge as a consolidated affiliated entity or consolidates the financial results and balance sheet of Wuge in the Company's consolidated financial statements under U.S. GAAP.

F-11

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 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

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 consolidated financial statements under U.S. GAAP.

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

Name	Background	Ownership
Citi Profit BVI	• A British Virgin Island company Incorporated in April 2019	100% owned by the Company
TMSR HK	• A Hong Kong company • Incorporated in April 2019 • Disposed on June 26, 2023	100% owned by Citi Profit BVI
Highlight HK	• A Hong Kong company • Incorporated in November 2022	100% owned by Citi Profit BVI
Makesi WFOE	• 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	• A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE) • Incorporated in January 2023	100% owned by Highlight HK
Yuanma	• A PRC limited liability company • Acquired on June 21, 2022 • Disposed on June 26, 2023	VIE of Makesi WFOE
Wuge	• A PRC limited liability company • Acquired on January 3, 2023 • Disposed on September 28, 2022	VIE of Makesi WFOE
Highlight Media	• A PRC limited liability company • Acquired on September 16, 2022 • Disposed on September 26, 2023	VIE of Highlight WFOE
AI Catalysis	• A Nevada company • Incorporated in May 2023	100% owned by the Company
SH Xianzhui	• A PRC limited liability company • Incorporated in August 2023	73.3333% owned by Highlight WFOE

F-12

Contractual Arrangements

Wuge, 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 Wuge are described below. The VIE agreements with Wuge were terminated and the Company disposed Wuge as of September 28, 2022.

Technical Consultation and Services Agreement.

Pursuant to the technical consultation and services agreement between Wuge and Tongrong Technology (Jiangsu) Co., Ltd., a then indirect subsidiary of the Company ("Tongrong WFOE"), dated January 3, 2020, Tongrong WFOE has the exclusive right to provide consultation services to Wuge relating to Wuge's business, including but not limited to business consultation services, human resources development, and business development. Tongrong WFOE exclusively owns any intellectual property rights arising from the performance of this agreement. Tongrong WFOE has the right to determine the service fees based on Wuge's actual operation on a quarterly basis. This agreement will be effective as long as Wuge exists. Tongrong WFOE may terminate this agreement at any time by giving 30 days' prior written notice to Wuge.

Equity Pledge Agreement.

Under the equity pledge agreement among Tongrong WFOE, Wuge and the shareholders of Wuge dated January 3, 2020, the shareholders of Wuge pledged all of their equity interests in Wuge to Tongrong WFOE to guarantee Wuge's performance of relevant obligations and indebtedness under the technical consultation and services agreement. In addition, the shareholders of Wuge will complete the registration of the equity pledge under the agreement with the competent local authority. If Wuge breaches its obligation under the technical consultation and services agreement, Tongrong 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 Wuge cease to be shareholders of Wuge.

Equity Option Agreement.

Under the equity option agreement among Tongrong WFOE, Wuge and the shareholders of Wuge dated January 3, 2020, each of the shareholders of Wuge irrevocably granted to Tongrong 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 Wuge. Also, Tongrong WFOE or its designee has the right to acquire any and all of its assets of Wuge. Without Tongrong WFOE's prior written consent, Wuge's shareholders cannot transfer their equity interests in Wuge and Wuge 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 Tongrong WFOE, Wuge and the shareholders of Wuge dated January 3, 2020, each Wuge Shareholder irrevocably appointed Tongrong 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 Wuge, including but not limited to the power to vote on its behalf on all matters of Wuge requiring shareholder approval in accordance with the articles of association of Wuge. The proxy agreement is for a term of 20 years and can be extended by Tongrong WFOE unilaterally by prior written notice to the other parties.

On January 11, 2021, Makesi WFOE entered into a series of assignment agreements with Tongrong WFOE, Wuge and the shareholders of Wuge, pursuant to which Tongrong WFOE assign all its rights and obligations under the VIE agreements to Makesi WFOE. The VIE agreements and the assignment agreements granted Makesi WFOE with the power, rights and obligations equivalent in all material respects to those it would possess as the sole equity holder of Wuge, including absolute rights to control the management, operations, assets, property and revenue of Wuge. The assignment did not have any impact on Company's consolidated financial statements.

On September 28, 2022, Makesi WFOE terminated the VIE agreements with Wuge and the shareholders of Wuge.

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 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 Wuge digital door signs business and Highlight Media enterprise brand management service have been disposed.

Note 2 – Summary of significant accounting policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for information pursuant to the rules and regulations of the Securities Exchange Commission ("SEC").

Principles of Consolidation

The 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 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 consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company's 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 its 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 statement 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 \$ 73,279 and \$ 179,460 as of December 31, 2023 and 2022, respectively. The balance sheets amounts, with the exception of shareholders' equity at December 31, 2023 and 2022 were translated at 7.10 RMB and 6.38 RMB to \$ 1.00, respectively. The shareholders' equity accounts were stated at their historical rate. The average translation rates applied to statements of operations accounts for the years ended December 31, 2023 and 2022 were 7.08 RMB and 6.73 RMB to \$ 1.00, respectively. Cash flows are also translated at average translation rates for the periods, therefore, amounts reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the 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 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.

Prepaid and other current assets

Prepaid and other current assets are advances paid to outside vendors for future inventory or 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 13) 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 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 to 5.5 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 of 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.

Goodwill

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. Goodwill is carried at cost less accumulated impairment losses. In accordance with ASC 350 Intangibles—Goodwill and Other, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is

recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

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, 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 December 31, 2023 and 2022, the carrying values of cash, accounts receivable, other receivables, accounts payable, other payables and accrued liabilities approximate their fair values due to the short-term nature of the instruments. Fair value of convertible notes receivable has been discussed in Note 21.

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 years ended December 31, 2023 and 2022.

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 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 years ended December 31, 2023 and 2022. As of December 31, 2023, the Company's PRC tax returns filed for 2023 remain subject to examination by any applicable tax authorities.

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 stockholders 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 17), 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 17), the holders of May 2023 Unregistered Warrants (as defined in Note 17) 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 year ended December 31, 2023, 1,807,951 pre-funded warrants representing 1,807,951 shares of the Company's common stock were exercised for no consideration. 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, 1,489,763 in common stocks underlying the unexercised pre-funded warrants were considered outstanding for purposes of the calculation of loss per share as of December 31, 2023.

8,134,043 and 9,079,348 of outstanding warrants (excluding the Pre-funded Warrants and Exchange Warrants) which are equivalent to convertible of 3,904,879 and 4,539,674 common stocks were excluded from the diluted loss per share calculation due to its antililutive effect for the years ended December 31, 2023 and 2022, respectively. Nil and 824,000 of outstanding options were excluded from the diluted loss per share calculation due to its antililutive effect for the years ended December 31, 2023 and 2022.

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 year 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 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 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.

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 consolidated balance sheets, statements of operations and comprehensive loss and statements of cash flows.

Note 3 – Business Combination and Restructuring

Highlight Media

On September 16, 2022, the Company entered into a share purchase agreement with Highlight Media and all the shareholders of Highlight Media ("Highlight Media Shareholders"). Pursuant to the share purchase agreement, the Company agreed to issue an aggregate of 9,000,000 shares of the Company's common stock to the Highlight Media Shareholders, in exchange for Highlight Media Shareholders' agreement to enter into, and their agreement to cause Highlight Media to enter into, certain VIE agreements ("VIE Agreements") with Makesi WFOE the Company's indirectly owned subsidiary, through which Makesi WFOE shall have the right to control, manage and operate Highlight Media in return for a service fee equal to 100 % of Highlight Media's net income (the "Acquisition"). On September 16, 2022, Makesi WFOE entered into a series of VIE Agreements with Highlight Media and the Highlight Media Shareholders. The VIE Agreements are designed to provide Makesi 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. Highlight Media, founded in 2016, is 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. The Acquisition closed on September 29, 2022.

On February 27, 2023, Highlight WFOE entered into a series of assignment agreements (the "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 "Assignment"). 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 consolidated financial statements.

F-22

The Company's acquisition of Highlight Media was accounted for as a business combination in accordance with ASC 805 Business Combinations. The Company has allocated the purchase price of Highlight Media based upon the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date. Other current assets and current liabilities were valued using the cost approach. Management of the Company is responsible for determining the fair value of assets acquired, liabilities assumed, equipment, and intangible assets identified as of the acquisition date and considered a number of factors including valuations from independent appraisers. Acquisition-related costs incurred for the acquisitions are not material and have been expensed as incurred in general and administrative expenses.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, which represents the net purchase price allocation at the date of the acquisition of Highlight Media based on a valuation performed by an independent valuation firm engaged by the Company:

Total consideration at fair value	\$ 2,250,000	Fair Value
Cash	\$ 47,498	
Other current assets	107,828	
Equipment	1,205	
Other noncurrent assets	-	
Goodwill	2,121,947	
Total asset	2,278,478	
Accounts payable	14,170	
Taxes Payable	363	
Other Payable	13,945	
Total liabilities	28,478	
Net asset acquired	\$ 2,250,000	

Approximately \$ 2.1 million of goodwill arising from the acquisition consists largely of synergies expected from combining the operations of the Company and Highlight Media. None of the goodwill is expected to be deductible for income tax purposes.

Note 4 – Variable Interest Entity

Wuge

On January 3, 2020, Tongrong WFOE entered into contractual arrangements with Wuge 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 Wuge as VIE.

On January 11, 2021, Makesi WFOE entered into a series of assignment agreements with Tongrong WFOE, Wuge and the shareholders of Wuge, pursuant to which Tongrong WFOE assign all its rights and obligations under the VIE agreements to Makesi WFOE. The VIE agreements and the assignment agreements granted Makesi WFOE with the power, rights and obligations equivalent in all material respects to those it would possess as the sole equity holder of Wuge, including absolute rights to control the management, operations, assets, property and revenue of Wuge. The assignment did not have any impact on Company's consolidated financial statements.

On September 28, 2022, Makesi WFOE entered into a termination agreement with Wuge and the shareholders of Wuge to terminate the VIE agreements and to cancel the shares previously issued to the shareholders of Wuge, based on the average closing price of \$ 0.237 per share of the Company during the 30 trading days immediately prior to the date of the termination agreement. As a result of such termination, the Company no longer treats Wuge as a consolidated affiliated entity or consolidates the financial results and balance sheet of Wuge in the Company's consolidated financial statements under U.S. GAAP.

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 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 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 consolidated financial statements under U.S. GAAP.

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 Wuge and Yuanma because Highlight WFOE and Makesi WFOE have both of the following characteristics:

- (1) The power to direct activities at Highlight Media, Wuge 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, Wuge and Yuanma that could potentially be significant to such entity.

Accordingly, the accounts of Highlight Media, Wuge and Yuanma are consolidated in the accompanying financial statements pursuant to ASC 810-10, Consolidation. In addition, Wuge's financial positions and results of operations are included in the Company's consolidated financial statements prior to September 28, 2022, Yuanma's financial positions and results of operations are included in the Company's consolidated financial statements prior to June 26, 2023 and Highlight Media's financial positions and results of operations are included in the Company's consolidated financial statements prior to September 26, 2023.

As of December 31, 2023, the Company did not have any VIE operations. The operations results from VIE operations for the years ended December 31, 2023 and 2022 have been reflected in discontinued operations as disclosed in Note 20.

Note 5 – Cash and Cash Equivalents

Cash at banks represents cash balances maintained at commercial banks. As of December 31, 2023 and 2022, the Company did not have any cash equivalents. The Company maintains bank accounts in the United States and institutions in PRC.

	December 31, 2023	December 31, 2022
Cash at Banks	\$ 5,175,518	\$ 389,108

Note 6 – Prepaid and Other Current Assets

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

	December 31, 2023
Prepayments of digital human services	\$ 797,500
Prepayments of live streaming services	487,587
Other prepayments	5,803
Total Prepaid and other current assets	\$ 1,290,890

Note 7 – Accounts Receivable

Accounts receivable consisted of the following as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
--	------------------------------	------------------------------

Accounts receivable	\$ -	\$ 197,640
Less: allowance for doubtful accounts	-	(3,120)
Total accounts receivable, net	\$ -	\$ 194,520

Movement of the allowance for doubtful accounts is as follows:

	December 31, 2023	December 31, 2022
Beginning balance	\$ 3,120	\$ -
Addition	-	3,120
Disposal of Highlight Media	(3,120)	-
Ending balance	\$ -	\$ 3,120

F-25

Note 8 – Other Receivables

Other receivables as of December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Receivable from disposal of Wuge	\$ -	\$ 948,000
Others	9,459	78,293
Total other receivables, net	<u><u>\$ 9,459</u></u>	<u><u>\$ 1,026,293</u></u>

The balance of \$ 948,000 on December 31, 2022 is the consideration required to be received upon disposal of Wuge. It was settled on March 9, 2023 by cancellation of 133,333 shares of the Company's common stock, after giving effect to the reverse stock split which became effective on November 9, 2022, that were previously issued to Wuge shareholders.

Note 9 – Equipment, net

Equipment, net consisted of the following as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Office equipment and furniture	\$ 14,190	\$ 10,039
Less: accumulated depreciation	(1,679)	(9,537)
Total	<u><u>\$ 12,511</u></u>	<u><u>\$ 502</u></u>

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$ 1,679 and \$ 718, respectively.

Note 10 – Intangible Assets, net

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

	December 31, 2023
Software	\$ 3,653,104
Subtotal	3,653,104
Less: accumulated amortization	(345,155)
Total	<u><u>\$ 3,307,949</u></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 17) 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 year ended December 31, 2023 was \$ 345,155.

Note 11 – Goodwill

In connection with the disposal of Highlight Media and Wuge, the goodwill recognized from acquisition of Highlight Media and Wuge were impaired in full. The changes in the carrying amount of goodwill by business units for the years ended December 31, 2023 and 2022 were as follows:

	Highlight Media	Wuge	Total
Balance as of December 31, 2021	\$ -	\$ 6,590,339	\$ 6,590,339
Goodwill acquired through acquisition	2,190,485	-	2,190,485
Goodwill impairments	-	(6,590,339)	(6,590,339)
Balance as of December 31, 2022	\$ 2,190,485	\$ -	\$ 2,190,485
Goodwill impairments	(2,190,485)	-	(2,190,485)
Balance as of December 31, 2023	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

F-26

Note 12 – Related Party Transactions

Other payable – related parties:

Name of related party	Relationship	Nature	December 31, 2023	December 31, 2022
Shanghai Highlight Asset Management Co. LTD ⁽¹⁾	A company in which the then shareholder hold shares	Advances	\$ -	\$ 195,732
Zihao Zhao	Chief Finance Officer	Accrued compensations	20,833	-
Total			\$ 20,833	\$ 195,732

(1) In connection with the disposal of Highlight Media on September 26, 2023, the balance of other payable -related parties as of December 31, 2022 was settled as well.

For the years ended December 31, 2023 and 2022, the Company recorded compensation expenses to its officers amounted to \$ 120,833 and nil, for their services provided to the Company.

Note 13 – Convertible Notes Receivable

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

	December 31, 2023
Convertible notes receivable	\$ 2,602,027
Total	\$ 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.

F-27

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 year ended December 31, 2023, the Company recorded unrealized gains on the fair value changes of these notes amounted to \$ 102,027 in other comprehensive income in relation to above convertible notes in the accompanying consolidated statements of operations and comprehensive loss. As of December 31, 2023, the outstanding balance of the convertible notes were \$ 2,602,027 .

Note 14 – 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.

	December 31, 2023	December 31, 2022
Weighted average remaining lease term:		
Operating lease	4.81 years	N/A

	Weighted average discount rate:	
Operating lease	7.56%	N/A

The balances for the operating leases where the Group is the lessee are presented as follows within the consolidated balance sheets:

	December 31, 2023	December 31, 2022
Operating lease right-of-use assets, net		
Operating lease	\$ 1,561,058	\$ -

Lease liabilities			
Current portion of operating lease liabilities		358,998	-
Non-current portion of operating lease liabilities		1,317,678	-
		\$ 1,676,676	\$ -

Future lease payments under operating leases as of December 31, 2023 were as follows:

	Operating Leases
FY2024	\$ 412,267
FY2025	386,829
FY2026	394,566
FY2027	402,457
FY2028	410,506
Total lease payments	\$ 2,006,625
Less: imputed interest	329,949
Present value of lease liabilities ⁽¹⁾	\$ 1,676,676

(1) 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 \$ 358,998 and \$ 1,317,678 , respectively, for the year ended December 31, 2023.

Note 15 – Taxes

Income tax

United States

GDC was organized in the state of Delaware in April 2015. As of December 31, 2023 and 2022, GDC's net operating loss carry forward for United States income taxes was approximately \$ 6.3 million and \$ 4.6 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 December 31, 2017 (increasing to 13.125 % for tax years beginning after December 31, 2025) with a partial offset for foreign tax credits. The Company determined that there is no impact of GILTI for the years ended December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022. 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.

PRC

Makesi WFOE, Highlight WFOE, Highlight Media, Yuanma and SH Xianzui 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 consolidated statements of comprehensive loss are as follows:

	December 31, 2023	December 31, 2022
Current tax	\$ -	\$ -
Deferred tax	327,822	-
Total	\$ 327,822	\$ -

The principal components of the Company's deferred income tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Deferred tax assets		
Net operating losses carried forward	\$ 6,295,697	\$ 4,574,581
Lease liability	352,102	-
Valuation allowance	(6,647,799)	(4,574,581)
Deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>
Deferred tax liabilities		
Right - Of - Use assets	\$ 327,822	\$ -
Deferred tax liabilities, net	<u>\$ 327,822</u>	<u>\$ -</u>

Value added tax

Enterprises or individuals who sell commodities, engage in repair and maintenance or import and export goods in the PRC are subject to a value added tax 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 semi-finished products or raw materials used in the production of the Company's finished products can be used to offset the VAT due on sales of the finished products and services.

Taxes payable consisted of the following:

	December 31, 2023	December 31, 2022
VAT taxes payable	<u>\$ -</u>	<u>\$ 8,478</u>
Total	<u>\$ -</u>	<u>\$ 8,478</u>

Note 16 – 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 December 31, 2023 and 2022, the Company had \$ 4,458,402 and nil in excess of the FDIC insured limit, respectively.

As of December 31, 2023 and 2022, \$ 211,222 and \$ 215,880 were deposited with various financial institutions located in the PRC, respectively. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

F-30

Note 17 – 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 December 31, 2023 and 2022, the PRC statutory reserve funds amounted to nil and \$ 4,467 , respectively.

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 \$ 1,083,267 and \$ 492,315 as of December 31, 2023 and 2022, 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 April 14, 2022, the Company entered into a Share Purchase Agreement (the "April 2022 SPA") with Yuan Ma, and Yuanma Shareholders. Yuanma Shareholders are Wei Xu, the then Chief Executive Officer and Chairman of the Board of the Company, and Jiangsu Lingkong Network Joint Stock Co., Ltd., which was controlled by Wei Xu. Pursuant to the April 2022 SPA, the Company agreed to issue an aggregate of 7,680,000 shares of common stock of the Company, valued at \$ 1.00 per share, to the Yuanma Shareholders, in exchange for Yuanma Shareholders' agreement to enter into and to cause Yuan Ma to enter into VIE Agreements with Makesi WFOE, the Company's indirectly owned subsidiary, to establish a VIE structure (the "Yuan Ma Acquisition"). On June 13, 2022, the Company held a special meeting of stockholders and approved the issuance of the 7,680,000 shares of common stock to Wei Xu. On June 21, 2022, pursuant to the April 2022 SPA, Makesi WFOE entered into a series of VIE Agreements with Yuan Ma and Yuanma Shareholders, and the 7,680,000 shares of common stock were issued to Wei Xu and the transaction contemplated in the April 2022 SPA was completed.

On September 16, 2022, the Company entered into a Share Purchase Agreement (the "September 2022 SPA") with Highlight Media, and all the shareholders of Highlight Media ("Highlight Media Shareholders").

Pursuant to the September 2022 SPA, the Company agreed to issue an aggregate of 9,000,000 shares of common stock of the Company, valued at \$ 0.25 per share, to the Highlight Media Shareholders, in exchange for Highlight Media's and Highlight Media Shareholders' agreement to enter into the VIE Agreements with Makesi WFOE, to establish a VIE (variable interest entity) structure (the "Highlight Media Acquisition"). On September 29, 2022. the common stock of the Company were issued to the Highlight Media Shareholders. The Highlight Media Acquisition was completed.

On November 4, 2022, the Company filed a Certificate of Amendment to the Articles of Incorporation (the "Certificate of Amendment") with the Nevada Secretary of State to effect a reverse stock split of the outstanding shares of common stock, par value \$ 0.0001 per shares, of the Company at a ratio of one-for-thirty (30), which became effective at 12:01 a.m. on November 9, 2022 (the "Reverse Stock Split"). Upon effectiveness of the Reverse Stock Split, every thirty (30) outstanding shares of common stock were combined into and automatically become one share of common stock. No fractional shares will be issued in connection with the Reverse Stock Split and all such fractional interests will be rounded up to the nearest whole number of shares of common stock. The authorized shares prior to and following the Reverse Stock Split will remain the same at 200,000,000 shares of common stock, par value \$ 0.0001 per shares, and 20,000,000 shares of preferred stock, par value \$ 0.0001 per shares. The Reverse Stock Split does not alter the par value of the Company's common stock or modify any voting rights or other terms of the 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 31, 2023 (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, leaving 912,503 of November 2023 Pre-Funded Warrants are still outstanding.

The May 2023 Offering and the November 2023 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 December 31, 2023 and 2022, the total outstanding shares of the Company's common stock was 5,453,416 and 1,844,877 , 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 Warrants entitled 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

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 stockholders not later than April 29, 2021 to seek such approval as may be required from our stockholders (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 stockholders 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.

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 December 31, 2023, 963,600 of the November 2023 Pre-Funded Warrants were exercised, leaving 912,503 of November 2023 Pre-Funded 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.

F-35

The summary of warrant activity is 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	0.10
Granted	7,056,758	7,056,758	\$ 3.73	4.80
Expired	164,675	5,488	\$ 172.5	0.10
Exercised	1,807,951	1,807,951	0.001	-
December 31, 2023	9,623,806	5,394,642	\$ 19.45	4.54

The summary of option activity is as follows:

	Options Outstanding	Exercisable Into Number of Shares	Weighted Average Exercise Price	Average Remaining Contractual Life
December 31, 2022	824,000	27,467	\$ 150.00	0.10
Granted	-	-	\$ -	-
Expired	824,000	27,467	\$ 150.00	0.10
Exercised	-	-	\$ -	-
December 31, 2023	-	-	\$ -	-

Note 18 – 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 19 – 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 December 31, 2023, 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.

F-36

Note 20 – Discontinued Operations

The following depicts the result of operations for the discontinued operations of Highlight Media and Wuge for the years ended December 31, 2023 and 2022, respectively.

	For the Years Ended December 31,	
	2023	2022
REVENUES		
Enterprise brand management services	\$ 165,993	\$ 153,304
Wuge digital door signs	-	7,616,615
TOTAL REVENUES	<u>165,993</u>	<u>7,769,919</u>
COST OF REVENUES		

Enterprise brand management services	88,658	97,770
Wuge digital door signs	-	5,527,950
TOTAL COST OF REVENUES	88,658	5,625,720
GROSS PROFIT	77,335	2,144,199
 OPERATING EXPENSES		
Selling, general and administrative	2,209,894	8,225,301
Provision for doubtful accounts	-	20,085,243
TOTAL OPERATING EXPENSES	2,209,894	28,310,544
 LOSS FROM OPERATIONS	(2,132,559)	(26,166,345)
 OTHER INCOME (EXPENSE)		
Interest income	49	65,274
Interest expense	(248)	(1,022)
Other income, net	709	70,831
Total other income, net	510	135,083
 LOSS BEFORE INCOME TAXES	(2,132,049)	(26,031,262)
PROVISION FOR INCOME TAXES	-	315,933
 NET LOSS	(2,132,049)	(26,347,195)

Note 21 – 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 December 31, 2023 and 2022 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

	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

F-37

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 valuation methodology of income approach, which is determined by the future cash flow forecast. The interest accrued on these notes were recorded as interest income on the accompanying consolidated statements of operations, while increasing the fair value of these notes at each reporting date. As a result of the unobservable inputs, the available-for-sale security was classified as Level 3 as of December 31, 2023.

There were no assets/liabilities measured at fair value as of December 31, 2022.

There were no transfers among the three hierarchies for the years ended December 31, 2023 and 2022.

Note 22 – Subsequent events

On January 11, 2024, the Company issued the 400,000 shares of its common stock to Beijing Hehe and the transaction is completed. Up to the date of the consolidated financial statements were issued, the Company owns 73.3333 % of the total equity interest of SH Xianzhuai.

On February 15, 2024 and March 19, 2024, holders of 513,841 of the November 2023 Pre-Funded Warrants exercised their option to purchase 513,841 shares of the Company's common stock, leaving 398,662 of November 2023 Pre-Funded Warrants still outstanding.

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.

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.

F-38

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 April 2, 2024.

GD CULTURE GROUP LIMITED

By: /s/ Xiao Jian Wang

Name: Xiao Jian Wang

Title: Chief Executive Officer, President and
Chairman of the Board
(*Principal Executive Officer*)

By: /s/ Zihao Zhao

Name: Zihao Zhao

Title: Chief Financial Officer
(*Principal Financial Officer and Principal
Accounting Officer*)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
<u>/s/ Xiao Jian Wang</u> Xiao Jian Wang	Chief Executive Officer, President and Chairman of the Board of Directors (<i>Principal Executive Officer</i>)	April 2, 2024
<u>/s/ Zihao Zhao</u> Zihao Zhao	Chief Financial Officer (<i>Principal Financial Officer and Principal Accounting Officer</i>)	April 2, 2024
<u>/s/ Shuang Zhang</u> Shuang Zhang	Vice President and Director	April 2, 2024
<u>/s/ Yi Zhong</u> Yi Zhong	Director	April 2, 2024
<u>/s/ Shuaiheng Zhang</u> Shuaiheng Zhang	Director	April 2, 2024
<u>/s/ Mingyue Cai</u> Mingyue Cai	Director	April 2, 2024

DESCRIPTION OF SECURITIES

A summary of the material provisions governing our securities registered pursuant to Section 12(b) of the Exchange Act of 1934, as amended (the "Exchange Act") is provided below. This summary is not complete and should be read together with our Articles of Incorporation, Certificates of Amendment to Articles of Incorporation and the Second Amended and Restated Bylaws ("articles and bylaws"), copies of which are filed with the U.S. Securities Exchange and Commission (the "SEC"). References herein to "we," "us," "our," "GDC" and the "Company" are to GD Culture Group Limited. Defined terms used herein and not defined herein shall have the meaning ascribed to such terms in the Company's annual report on Form 10-K.

We had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading symbol	Name of Each Exchange On Which Registered
Common stock, par value \$0.0001 per share	GDC	The Nasdaq Stock Market LLC

As provided in the articles and bylaws, our authorized capital stock consists of 200,000,000 shares of common stock, par value \$0.0001 per share, and 20,000,000 shares of preferred stock, par value \$0.0001 per share.

As of April 1, 2024, there were 7,887,411 shares of common stock and no shares of preferred stock issued and outstanding.

Common Stock

Voting Rights. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Under our articles and bylaws, any corporate action to be taken by vote of stockholders other than for election of directors or such actions requiring a different number of votes by statute or our articles or bylaws, shall be authorized by the vote of the majority of the shares having voting power of those present in person or represented by proxy at a meeting of stockholder, or by written consent signed by shareholders holding a majority of the voting power, or by a different proportion of voting power if required for such corporate action. Directors are elected by a plurality of votes. Stockholders do not have cumulative voting rights.

Dividend Rights. Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of legally available funds.

Liquidation Rights. In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Other Rights. Holders of common stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock.

Preferred Stock

Our articles and bylaws authorize our board to issue up to 20,000,000 shares of preferred stock in one or more series, to determine the designations and the powers, preferences and rights and the qualifications, limitations and restrictions thereof, including the dividend rights, conversion or exchange rights, voting rights (including the number of votes per share), redemption rights and terms, liquidation preferences, sinking fund provisions and the number of shares constituting the series. Our board of directors could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of common stock and which could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock.

Anti-Takeover Provisions

Provisions of the Nevada Revised Statutes, our articles and bylaws could have the effect of delaying or preventing a third-party from acquiring us, even if the acquisition would benefit our stockholders. Such provisions of the Nevada Revised Statutes, our articles and bylaws are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control of our company. These provisions are designed to reduce our vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of our outstanding shares, or an unsolicited proposal for the restructuring or sale of all or part of our company.

Our articles and bylaws may be adopted, amended or repealed by the affirmative vote of the holders of at least a majority of our outstanding shares of capital stock entitled to vote for the election of directors, and except as provided by Nevada law, our board of directors shall have the power to adopt, amend or repeal the articles and bylaws by a vote of not less than a majority of our directors. Any bylaw provision adopted by the board of directors may be amended or repealed by the holders of a majority of the outstanding shares of capital stock entitled to vote for the election of directors. Our articles and bylaws also contain limitations as to who may call special meetings as well as require advance notice of stockholder matters to be brought at a meeting. Additionally, our articles and bylaws also provide that no director may be removed by less than a two-thirds vote of the issued and outstanding shares entitled to vote on the removal. Our articles and bylaws also permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

Our articles and bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given us timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although our articles and bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, our articles and bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of our company.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock are available for our board of directors to issue without stockholder approval. We may use these additional shares for a variety of corporate purposes, including raising additional capital, corporate acquisitions and employee stock plans. The existence of our authorized but unissued shares of common stock could render it more difficult or discourage an attempt to obtain control of the company by means of a proxy contest, tender offer, merger or other transaction since our board of directors can issue large amounts of capital stock as part of a defense to a take-over challenge. In addition, we have authorized in our articles and bylaws 20,000,000 shares of preferred stock, none of which are currently designated or outstanding. However, the board acting alone and without approval of our stockholders can designate and issue one or more series of preferred stock containing super-voting provisions, enhanced economic rights, rights to elect directors, or other dilutive features, that could be utilized as part of a defense to a take-over challenge.

Supermajority Voting Provisions

Nevada law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's articles of incorporation or bylaws, unless a corporation's articles of incorporation or bylaws, as the case may be, require a greater percentage. Although our articles and bylaws do not currently provide for such a supermajority vote on any matters other than as required by Nevada law, our board of directors can amend our bylaws and we can, with the approval of our stockholders, amend our articles and bylaws to provide for such a supermajority voting provision.

Cumulative Voting

Furthermore, neither the holders of our common stock nor the holders of our preferred stock have cumulative voting rights in the election of our directors. The combination of the present ownership by a few stockholders of a significant portion of our issued and outstanding common stock and lack of cumulative voting makes it more difficult for other stockholders to replace our board of directors or for a third party to obtain control of our company by replacing its board of directors.

Listing

Our common stocks are listed and traded under the symbols "GDC" on the Nasdaq Capital Market tier of The Nasdaq Stock Market LLC.

Transfer Agent and Registrar

We have appointed Continental Stock Transfer & Trust Company, 1 State Street, 30th Floor, New York, NY 10004, as the transfer agent for our common stocks.

Insider Trading Policy

This Insider Trading Policy describes the standards of GD Culture Group Limited and its subsidiaries (the “**Company**”) on trading, and causing the trading of, the Company’s securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers and employees and their respective immediate family members of the Company and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company (together with the directors, “**Company Insiders**”), and (iii) certain other employees that the Company may designate from time to time as “covered persons” because of their position, responsibilities or their actual or potential access to material information (“Covered Employees”, together with the Company Insiders, “Covered Persons”).

One of the principal purposes of the federal securities laws is to prohibit so-called “insider trading.” Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company’s securities or the securities of certain other companies or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is “material” and “nonpublic.” These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer or employee who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, partners, competitors or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

1. Applicability

This Policy applies to all trading or other transactions in (i) the Company’s securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company’s securities, whether or not issued by the Company and (ii) the securities of certain other companies, including common stock, options and other securities issued by those companies as well as derivative securities relating to any of those companies’ securities.

This Policy applies to all employees of the Company, all officers of the Company and all members of the Company’s board of directors, officers, employees, and their respective family members.

2. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

(a) No director, officer or employee or any of their immediate family members may purchase or sell, or offer to purchase or sell, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms “material” and “nonpublic” are defined in Part I, Section 3(a) and (b) below.)

(b) No director, officer or employee or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information to (“tip”) any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.

(c) No director, officer or employee or any of their immediate family members may purchase or sell any security of any other publicly-traded company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company. No director, officer or employee or any of their immediate family members who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section 3(c) below).

(e) Covered Persons must “pre-clear” all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) Material. Insider trading restrictions come into play only if the information you possess is “material.” Materiality, however, involves a relatively low threshold. Information is generally regarded as “material” if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- (i) significant changes in the Company’s prospects;
- (ii) significant write-downs in assets or increases in reserves;
- (iii) developments regarding significant litigation or government agency investigations;
- (iv) liquidity problems;
- (v) changes in earnings estimates or unusual gains or losses in major operations;
- (vi) major changes in the Company’s management or the board of directors;
- (vii) changes in dividends;
- (viii) extraordinary borrowings;

- (ix) major changes in accounting methods or policies;
- (x) award or loss of a significant contract;
- (xi) cybersecurity risks and incidents, including vulnerabilities and breaches;

- (xii) changes in debt ratings;
- (xiii) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and
- (xiv) offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.**

(b) Nonpublic. Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

- (i) information available to a select group of analysts or brokers or institutional investors;
- (ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- (iii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information, normally two trading days.

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

(c) Compliance Officer. The Company has appointed the Chief Financial Officer as the Compliance Officer for this Policy. The duties of the Compliance Officer include, but are not limited to, the following:

- (i) assisting with implementation and enforcement of this Policy;
- (ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;

- (iii) pre-clearing all trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section 3 below; and
- (iv) providing approval of any Rule 10b5-1 plans under Part II, Section 1(c) below and any prohibited transactions under Part II, Section 4 below.
- (v) providing a reporting system with an effective whistleblower protection mechanism.

4. Exceptions

The trading restrictions of this Policy do not apply to exercising stock options granted under the Company's current or future equity incentive plans or option plans for cash or the delivery of previously owned Company stock. However, the sale of any shares issued on the exercise of Company-granted stock options and any cashless exercise of Company-granted stock options are subject to trading restrictions under this Policy.

5. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may

be held liable for up to the greater of \$1 million or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

(b) Company-Imposed Penalties. Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

6. Inquiries

If you have any questions regarding any of the provisions of this Policy, please contact the Compliance Officer.

PART II

1. Blackout Periods

All Covered Persons are prohibited from trading in the Company's securities during blackout periods as defined below.

(a) Quarterly Blackout Periods. Trading in the Company's securities is prohibited during the period beginning at the close of the market on two weeks before the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's financial results are publicly disclosed. During these periods, Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.

(b) Other Blackout Periods. From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.

(c) Exception. These trading restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "Approved 10b5-1 Plan") that:

- (i) has been reviewed and approved at least one month in advance of any trades thereunder by the Compliance Officer (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Compliance Officer at least one month in advance of any subsequent trades);
- (ii) was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material nonpublic information about the Company; and
- (iii) gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

2. Trading Window

Covered Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally, this means that Covered Persons can trade during the period beginning on DAY THAT BLACKOUT PERIOD UNDER SECTION 1(A) ENDS and ending on DAY THAT NEXT BLACKOUT PERIOD UNDER SECTION 1(A) BEGINS. However, even during this trading window, a Covered Person who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3. Pre-Clearance of Securities Transactions

(a) Because Company Insiders are likely to obtain material nonpublic information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

(b) Subject to the exemption in subsection (d) below, no Company Insider may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

(c) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted. If the transaction does not occur during the two-day period, pre-clearance of the transaction must be re-requested.

(d) Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the Company Insider should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

4. Prohibited Transactions

(a) Company Insiders are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) Covered Persons, including any person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, are prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained

from the Compliance Officer:

- (i) Short-term trading. Company Insiders who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;
- (ii) Short sales. Company Insiders/Covered Persons may not sell the Company's securities short;
- (iii) Options trading. Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;
- (iv) Trading on margin or pledging. Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and
- (v) Hedging. Covered Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

5. Acknowledgment and Certification

All Covered Persons are required to sign the attached acknowledgment and certification.

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of the Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information.

(Signature)

(Please print name)

Date: _____

Subsidiaries of GD Culture Group Limited

Subsidiary	Jurisdiction of Incorporation
Citi Profit Investment Holding Limited	British Virgin Islands
Highlights Culture Holding Co., Limited	Hong Kong
Shanghai Highlight Entertainment Co., Ltd.	People's Republic of China
Shanghai Xianzhui Technology Co., Ltd.	People's Republic of China
AI Catalysis Corp.	Nevada



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-254276) and Form S-8(File No. 333-252790) of GD Culture Group Limited. (the "Company") of our report dated March 31, 2023, relating to the consolidated balance sheets of the Company as of December 31, 2022, and the related consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flows for the year ended December 31, 2022 and the related notes, included in its Annual Report on Form 10-K.

Very truly yours,

/s/ Enrome LLP

Enrome LLP
Singapore

April 1, 2024

Enrome LLP

143 Cecil Street #19-03/04
GB Building Singapore 069542

admin@enrome-group.com
www.enrome-group.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-254276) and Form S-8 (File No. 333-252790) of GD Culture Group Limited (the "Company") of our report dated April 2, 2024, relating to the consolidated balance sheet of the Company as of December 31, 2023, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and the related notes, included in GD Culture Group Limited's Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ HTL International, LLC

HTL International, LLC
Houston, Texas

April 2, 2024

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Xiao Jian Wang, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023 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: April 2, 2024

By: /s/ Xiao Jian Wang

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zihao Zhao, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023 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: April 2, 2024

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE 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 Annual Report on Form 10-K of GD Culture Group Limited. (the "Company") for the fiscal year ended December 31, 2023 (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: April 2, 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
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE 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 Annual Report on Form 10-K of GD Culture Group Limited (the "Company") for the fiscal year ended December 31, 2023 (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: April 2, 2024

By: /s/ Zihao Zhao

Zihao Zhao
Chief Financial Officer
(Principal Financial and 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.

GD Culture Group Limited
Executive Compensation Recovery Policy

This policy covers the Covered Officers of GD Culture Group Limited (the "Company") and explains when the Company will be required or authorized, as applicable, to seek recovery of Incentive Compensation awarded or paid to Covered Officers. Please refer to Exhibit A attached hereto (the "Definitions Exhibit") for the definitions of capitalized terms used throughout this Policy.

- 1. Miscalculation of Financial Performance Measure Results.** In the event of a Restatement, the Company will seek to recover, reasonably promptly, all Recoverable Incentive Compensation from a Covered Officer during the Applicable Period. Such recovery, in the case of a Restatement, will be made without regard to any individual knowledge or responsibility related to the Restatement or the Recoverable Incentive Compensation. Notwithstanding the foregoing, if the Company is required to undertake a Restatement, the Company will not be required to recover the Recoverable Incentive Compensation if the Compensation Committee determines it impracticable to do so, after exercising a normal due process review of all the relevant facts and circumstances.

the Company will seek to recover all Recoverable Incentive Compensation that was awarded or paid in accordance with the definition of "Recoverable Incentive Compensation" set forth on the Definitions Exhibit. If such Recoverable Incentive Compensation was not awarded or paid on a formulaic basis, the Company will seek to recover the amount that the Compensation Committee determines in good faith should be recouped.

- 2. Legal and Compliance Violations.** Compliance with the law and the Company's corporate policies is a pre-condition to earning Incentive Compensation. If the Company in its sole discretion concludes that a Covered Officer (1) committed a significant legal or compliance violation in connection with the Covered Officer's employment, including a violation of the Company's corporate policies (each, "Misconduct"), or (2) was aware of or willfully blind to Misconduct that occurred in an area over which the Covered Officer had supervisory authority, the Company may, at the direction of the Compensation Committee, seek recovery of all or a portion of the Recoverable Incentive Compensation awarded or paid to the Covered Officer for the Applicable Period in which the violation occurred. In addition, the Company may, at the direction of the Compensation Committee, conclude that any unpaid or unvested Incentive Compensation has not been earned and must be forfeited.

In the event of Misconduct, the Company may seek recovery of Recoverable Incentive Compensation even if the Misconduct did not result in an award or payment greater than would have been awarded or paid absent the Misconduct.

In the event of Misconduct, in determining whether to seek recovery and the amount, if any, by which the payment or award should be reduced, the Compensation Committee may consider—among other things—the seriousness of the Misconduct, whether the Covered Officer was unjustly enriched, whether seeking the recovery would prejudice the Company's interests in any way, including in a proceeding or investigation, and any other factors it deems relevant to the determination.

- 3. Other Actions.** The Compensation Committee may, subject to applicable law, seek recovery in the manner it chooses, including by seeking reimbursement from the Covered Officer of all or part of the compensation awarded or paid, by electing to withhold unpaid compensation, by set-off, or by rescinding or canceling unvested stock.

In the reasonable exercise of its business judgment under this Policy, the Compensation Committee may in its sole discretion determine whether and to what extent additional action is appropriate to address the circumstances surrounding a Restatement or Misconduct to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

- 4. No Indemnification or Reimbursement.** Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will the Company or any of its affiliates indemnify or reimburse a Covered Officer for any loss under this Policy and in no event will the Company or any of its affiliates pay premiums on any insurance policy that would cover a Covered Officer's potential obligations with respect to Recoverable Incentive Compensation under this Policy.

- 5. Administration of Policy.** The Compensation Committee will have full authority to administer this Policy. Actions of the Compensation Committee pursuant to this Policy will be taken by the vote of a majority of its members. The Compensation Committee will, subject to the provisions of this Policy and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company's applicable exchange listing standards, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Compensation Committee will be final, binding and conclusive.

- 6. Other Claims and Rights.** The remedies under this Policy are in addition to, and not in lieu of, any legal and equitable claims the Company or any of its affiliates may have or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies, or other authorities. Further, the exercise by the Compensation Committee of any rights pursuant to this Policy will not impact any other rights that the Company or any of its affiliates may have with respect to any Covered Officer subject to this Policy.

- 7. Condition to Eligibility for Incentive Compensation.** All Incentive Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive Compensation and any other vesting conditions applicable to such Incentive Compensation are satisfied.

- 8. Amendment; Termination.** The Board or the Compensation Committee may amend or terminate this Policy at any time.

- 9. Effectiveness.** Except as otherwise determined in writing by the Compensation Committee, this Policy will apply to any Incentive Compensation that (a) in the case of any Restatement, is Received by Covered Officers prior to, on or following the Effective Date, and (b) in the case of Misconduct, is awarded or paid to a Covered Officer on or after the Effective Date. This Policy will survive and continue notwithstanding any termination of a Covered Officer's employment with the Company and its affiliates.

- 10. Successors.** This Policy shall be binding and enforceable against all Covered Officers and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.

- 11. Governing Law.** To the extent not preempted by U.S. federal law, this Policy will be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws.

EXHIBIT A**DEFINITIONS**

Applicable Period means (a) in the case of any Restatement, the three completed fiscal years of the Company immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that a Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs the Company to undertake a Restatement, and (b) in the case of any Misconduct, such period as the Compensation Committee or Board determines to be appropriate in light of the scope and nature of the Misconduct. The "Applicable Period" also includes any transition period (that results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence.

Board means the Board of Directors of the Company.

Compensation Committee means the Company's committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the Board.

Covered Officer means (a) in the case of any Restatement, any person who is, or was at any time, during the Applicable Period, an Executive Officer of the Company, and (b) in the case of any Misconduct, any person who was an Executive Officer at the time of the Misconduct. For the avoidance of doubt, a Covered Officer may include a former Executive Officer that left the Company, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.

Effective Date means December 1, 2023.

Executive Officer means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including an officer of the Company's parent(s) or subsidiaries) who performs similar policy-making functions for the Company.

Financial Performance Measure means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (including "non-GAAP" financial measures, such as those appearing in the Company's earnings releases or Management Discussion and Analysis), and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return (and any measures derived wholly or in part therefrom) shall be considered Financial Performance Measures.

Impracticable. The Compensation Committee may determine in good faith that recovery of Recoverable Incentive Compensation is "Impracticable" (a) in the case of any Restatement, if: (i) pursuing such recovery would violate home country law of the jurisdiction of incorporation of the Company where that law was adopted prior to October 2, 2023 and the Company provides an opinion of counsel to that effect acceptable to the Company's listing exchange; (ii) the direct expense paid to a third party to assist in enforcing this Policy would exceed the Recoverable Incentive Compensation and the Company has (A) made a reasonable attempt to recover such amounts and (B) provided documentation of such attempts to recover to the Company's applicable listing exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of the Internal Revenue Code of 1986, as amended, and (b) in the case of any Misconduct, in its sole discretion, in light of the scope and nature of the Misconduct.

Incentive Compensation means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Performance Measure. Incentive Compensation does not include any base salaries (except with respect to any salary increases earned wholly or in part based on the attainment of a Financial Performance Measure performance goal); bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a "bonus pool" that is determined by satisfying a Financial Performance Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures; and equity awards that vest solely based on the passage of time and/or attaining one or more non-Financial Performance Measures. Notwithstanding the foregoing, in the case of any Misconduct, Incentive Compensation will include all forms of cash and equity incentive compensation, including, without limitation, cash bonuses and equity awards that are received or vest solely based on the passage of time and/or attaining one or more non-Financial Performance Measures.

Received. Incentive Compensation is deemed "Received" in the Company's fiscal period during which the Financial Performance Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

Recoverable Incentive Compensation means (a) in the case of any Restatement, the amount of any Incentive Compensation (calculated on a pre-tax basis) Received by a Covered Officer during the Applicable Period that is in excess of the amount that otherwise would have been Received if the calculation were based on the Restatement, and (b) in the case of any Misconduct, the amount of any Incentive Compensation (calculated on a pre-tax basis) awarded or paid to a Covered Officer during the Applicable Period that the Compensation Committee determines, in its sole discretion, to be appropriate in light of the scope and nature of the Misconduct. For the avoidance of doubt, in the case of any Restatement, Recoverable Incentive Compensation does not include any Incentive Compensation Received by a person (i) before such person began service as a Covered Officer and (ii) who did not serve as a Covered Officer at any time during the performance period for that Incentive Compensation. For the avoidance of doubt, in the case of any Restatement, Recoverable Incentive Compensation may include Incentive Compensation Received by a person while serving as an employee if such person previously served as a Covered Officer and then transitioned to an employee role. For Incentive Compensation based on (or derived from) stock price or total shareholder return where the amount of Recoverable Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement, the amount will be determined by the Compensation Committee based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received (in which case, the Company will maintain documentation of such determination of that reasonable estimate and provide such documentation to the Company's applicable listing exchange).

Restatement means an accounting restatement of any of the Company's financial statements filed with the Securities and Exchange Commission under the Exchange Act, or the Securities Act of 1933, as amended, due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, regardless of whether the Company or Covered Officer misconduct was the cause for such restatement. "Restatement" includes any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as "Big R" restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as "little r" restatements).

