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

FORM 10-Q

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

For the quarterly period ended September 30, 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 Number)
22F - 810 Seventh Avenue, New York, NY 10019	**10019**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Date 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of November 20, 2023, there were 4,489,816 shares of the Company's common stock issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our goals and strategies;
- our future business development, results of operations and financial condition;
- our estimates regarding expenses, future revenues, capital requirements and our need for additional financing;
- our estimates regarding the market opportunity for our services;
- the impact of government laws and regulations;
- our ability to recruit and retain qualified personnel;
- our failure to comply with regulatory guidelines;
- uncertainty in industry demand;
- general economic conditions and market conditions in the financial services industry;
- future sales of large blocks 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" of our Annual Report of Form 10-K for the fiscal year ended December 31, 2022 and elsewhere in this Quarterly Report on Form 10-Q.

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

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,647,148	$ 389,108
Accounts receivable, net	150,000	194,520
Other receivables, net	146,575	1,026,293
Prepaid expense - related party	100,000	-
Prepayments	4,582,684	-
Total current assets	6,626,407	1,609,921
NON-CURRENT ASSETS		

Plant and equipment, net	8,866	502
Operating lease right-of-use assets, net	1,683,518	-
Goodwill	-	2,190,485
Intangible assets, net	3,087,500	-
Long-term investments, net	2,500,000	-
Total non-current assets	7,279,884	2,190,987
Total assets	$ 13,906,291	$ 3,800,908
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 3,838	$ 127,475
Other payables and accrued liabilities	2,729	2,099
Other payables - related parties	-	195,732
Current portion of operating lease liabilities	324,162	-
Taxes payable	-	8,478
Total current liabilities	330,729	333,784
NON-CURRENT LIABILITIES		
Non-current portion of operating lease liabilities	1,388,238	-
Total non-current liabilities	1,388,238	-
Total liabilities	1,718,967	333,784
COMMITMENTS AND CONTINGENCIES (NOTE 14)	-	-
SHAREHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 20,000,000 shares authorized, no shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	-	-
Common stock, $0.0001 par value, 200,000,000 shares authorized, 3,053,563 and 1,844,877 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	305	184
Stock subscription receivable	(1,370,614)	-
Additional paid-in capital	68,544,206	60,124,087
Statutory reserves	4,467	4,467
Accumulated deficit	(60,446,156)	(56,841,074)
Accumulated other comprehensive income	71,468	179,460
Total GD Culture Group Limited shareholders' equity	6,803,676	3,467,124
Noncontrolling interest	5,383,648	-
Total shareholders' equity	12,187,324	3,467,124
Total liabilities and shareholders' equity	$ 13,906,291	$ 3,800,908

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
REVENUES				
Enterprise brand management services	-	-	150,000	-
Software copyright	-	-	-	-
TOTAL REVENUES	-	-	150,000	-
COST OF REVENUES				
Enterprise brand management services	-	-		-
TOTAL COST OF REVENUES	-	-		-
GROSS PROFIT	-	-		-
OPERATING EXPENSES				
Selling, general and administrative	3,667,011	64,041	3,942,947	6,800,079
Impairment of prepayments	-	-	-	12,949,329
TOTAL OPERATING EXPENSES	3,667,011	64,041	3,942,947	19,749,408
LOSS FROM OPERATIONS	(3,667,011)	(64,041)	(3,792,947)	(19,749,408)
OTHER INCOME (EXPENSE)				
Interest income	46,891	-	47,070	-
Interest expense	(52)	-	(52)	-
Other income	-	-	100,000	-
Total other income, net	46,839	-	147,018	-
LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	(3,620,172)	(64,041)	(3,645,929)	(19,749,408)
PROVISION FOR INCOME TAXES	-	-	-	-
LOSS FROM CONTINUING OPERATIONS	(3,620,172)	(64,041)	(3,645,929)	(19,749,408)
Net loss attributable to noncontrolling interest	(102,485)	-	(102,485)	-

LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO GD CULTURE GROUP LIMITED	(3,517,687)	(64,041)	(3,543,444)	(19,749,408)
Discontinued operations:				
Loss from discontinued operations, net of taxes	(10,358)	-	(61,408)	303,089
Loss on disposal, net of taxes	(230)	(4,027,930)	(230)	(4,027,930)
Net loss	(3,528,275)	(4,091,971)	(3,605,082)	(23,474,249)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment	4,291	(261,985)	(107,992)	(118,184)
COMPREHENSIVE LOSS	(3,523,984)	(4,353,956)	(3,713,074)	(23,592,433)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES				
Basic and diluted*	3,053,563	1,427,927	2,447,446	1,427,927
Loss per share from continuing operations				
Basic and diluted	(1.15)	(0.04)	(1.45)	(13.83)
Loss per share from discontinued operations				
Basic and diluted	(0.00)	(2.82)	(0.03)	(2.61)
Loss per share available to common shareholders				
Basic and diluted	(1.16)	(2.87)	(1.47)	(16.44)

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	For the Nine Months Ended September 30, 2022									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Retained Earnings (Accumulated Deficit)		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount			Statutory Reserves	Unrestricted		
BALANCE, January 1, 2022	-	-	1,543,793	154	83,038,827	(25,165,728)	-	(26,019,119)	225,857	32,079,991
Net loss	-	-	-	-	-	-	-	(23,474,249)	-	(23,474,249)
Issuance of common stock for acquisition Yuanma	-	-	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	-	-	-	-	-	-	-	-	(118,184)	(118,184)
BALANCE, September 30, 2022 (Unaudited)	-	$ -	1,844,877	$ 184	$ 60,124,087	$ -	$ 4,467	$ (49,493,368)	$ 107,673	$ 10,743,043

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(CONTINUED) (UNAUDITED)

	For the Three Months Ended September 30, 2022									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Retained Earnings (Accumulated Deficit)		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount			Statutory Reserves	Unrestricted		
BALANCE, July 1, 2022	-	-	1,544,877	154	74,276,715	(16,403,618)	-	(45,401,397)	369,658	12,841,512
Net loss	-	-	-	-	-	-	-	(4,091,971)	-	(4,091,971)
Issuance of common stock for acquisition Yuanma	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	(16,402,598)	-	-	-	-	(16,402,598)
Stock subscription receivable from issuance of common stock	-	-	-	-	-	16,403,618	-	-	-	16,403,618
Foreign currency translation	-	-	-	-	-	-	-	-	(261,985)	(261,985)
BALANCE, September 30, 2022 (Unaudited)	-	$ -	1,844,877	$ 184	$ 60,124,087	$ -	$ 4,467	$ (49,493,368)	$ 107,673	$ 10,743,043

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(CONTINUED) (UNAUDITED)

For the Nine Months Ended September 30, 2023

	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Retained Earnings (Accumulated Deficit)		Accumulated Other Comprehensive Loss	Total GD Culture Group Limited Shareholders' Equity	Noncontrolling 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
Net loss	-	-	-	-	-	-	-	(3,605,082)	-	(3,605,082)	(102,485)	(3,707,567)
Issuance of common stock for cash	-	-	1,154,519	115	8,618,125	-	-	-	-	8,618,240	-	8,618,240
Contribution by noncontrolling shareholder	-	-	-	-	-	-	-	-	-	-	5,486,133	5,486,133
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)
Stock subscription receivable from issuance of common stock	-	-	-	-	-	(1,370,614)	-	-	-	(1,370,614)	-	(1,370,614)
Foreign currency translation	-	-	-	-	-	-	-	-	(107,992)	(107,992)	-	(107,992)
BALANCE, September 30, 2023 (Unaudited)	-	$ -	3,053,563	$ 305	$68,544,206	$ (1,370,614)	$ 4,467	$(60,446,156)	$ 71,468	$ 6,803,676	5,383,648	12,187,324

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(CONTINUED) (UNAUDITED)

For the Three Months Ended September 30, 2023

	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Retained Earnings (Accumulated Deficit)		Accumulated Other Comprehensive Loss	Total GD Culture Group Limited Shareholders' Equity	Noncontrolling interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Statutory Reserves	Unrestricted				
BALANCE, July 1, 2023	-	-	3,053,563	305	68,544,206	-	4,467	(56,917,881)	67,177	11,698,274	-	11,698,274
Net loss	-	-	-	-	-	-	-	(3,528,275)	-	(3,528,275)	(102,485)	(3,630,760)
Issuance of common stock for cash	-	-	-	-	-	-	-	-	-	-	-	-
Contribution by noncontrolling shareholder	-	-	-	-	-	-	-	-	-	-	5,486,133	5,486,133
Issuance of common stock for acquisition right, title, and interest in and to the certain software	-	-	-	-	-	-	-	-	-	-	-	-

The cancellation of the common stock	-	-	-	-	-	-	-	-	-	-	-	-
Stock subscription receivable from issuance of common stock	-	-	-	-	-	(1,370,614)	-	-	-	(1,370,614)	-	(1,370,614)
Foreign currency translation	-	-	-	-	-	-	-	-	4,291	4,291	-	4,291
BALANCE, September 30, 2023 (Unaudited)	-	$ -	3,053,563	305	68,544,206	$ (1,370,614)	$ 4,467	$(60,446,156)	$ 71,468	$ 6,803,676	5,383,648	12,187,324

GD CULTURE GROUP LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,707,567)	$ (23,474,249)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of plant and equipment	751	33,192
Amortization of intangible assets	162,500	98
Lease expenses of right-of-use assets	60,224	-
Impairment of prepayments	-	12,949,329
Disposal of the company	230	4,027,930
Goodwill impairments	2,070,753	6,590,339
Change in operating assets and liabilities		
Accounts receivables	(52,196)	-
Other receivables	(51,399)	757
Prepaid expense - related party	(100,000)	192,863
Inventories	-	(3,001)
Prepayments	(4,610,398)	(68,962)
Accounts payable	(91,273)	196,417
Other payables and accrued liabilities	(16,410)	(99,892)
Customer deposits	68,531	(2,156,462)
Lease liabilities	(31,342)	-
Taxes payable	(6,994)	(493)
Other payables - related parties	(160,760)	845,389
Net cash used in operating activities	(6,465,350)	(966,745)
CASH FLOWS FROM INVESTING ACTIVITY:		
Net increase in cash from acquisition of Highlight Media	-	47,498
Net decrease in cash from disposal of discontinued operations	-	(12,316,416)
Purchase of intangible assets	(2,500,000)	-
Purchase of equipment	(9,617)	(6,689)
Purchase of convertible notes	(2,500,000)	-
Net cash used in investing activity	(5,009,617)	(12,275,607)
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds from issuance of common stock	8,618,240	-
Contribution by noncontrolling shareholder	4,115,519	-
Net cash provided by financing activity	12,733,759	-
EFFECT OF EXCHANGE RATE ON CASH	(752)	(1,095,699)
NET INCREASE/(DECREASE) IN CASH	1,258,040	(14,338,051)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	389,108	14,588,330
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,647,148	$ 250,279
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ -	$ 935
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for acquisition Yuanma	-	7,680,000
Issuance of common stock for acquisition Highlight Media	-	2,250,000
Issuance of common stock for acquisition right, title, and interest in and to the certain software	750,000	-
The cancellation of the common stock	948,000	32,844,710
Initial recognition of right-of-use assets and lease liabilities	1,731,824	-

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

Note 1 – Nature of business and organization

GD Culture Group Limited ("GDC" or the "Company"), formerly known as Code Chain New Continent Limited, TMSR Holding Company Limited and JM Global Holding Company, is a Nevada corporation and a holding company that has no material operation of its own. The Company's current subsidiaries, Citi Profit Investment Holding Limited ("Citi Profit"), Highlights Culture Holding Co., Limited ("Highlight HK"), Shanghai Highlight Entertainment Co., Ltd. ("Highlight WFOE"), and previous subsidiaries, TMSR Holdings Limited ("TMSR HK") and Makesi IoT Technology (Shanghai) Co., Ltd. ("Makesi WFOE") are also holding companies with no material operations.

Shanghai Xianzhui Technology Co., Ltd. ("SH Xianzhui") was incorporated by Highlight WFOE and other two shareholders on August 10, 2023. SH Xianzhui is principally engaged in the provision of social media marketing agency service. Highlight WFOE owns 60% of the total equity interest of SH Xianzhui.

AI Catalysis Corp. ("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' primary focus is 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, we also conducted business through Sichuan Wuge Network Games Co., Ltd. ("Wuge"). 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 Yuanma's financial results in 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 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 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. None of TMSR HK, Makesi WFOE or Yuanma had any assets, employees or operation. 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 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 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.

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 on April 2019	100% owned by the Company
TMSR HK2	● A Hong Kong company ● Incorporated on April 2019	100% owned by Citi Profit BVI
Highlight HK	● A Hong Kong company ● Incorporated on November 2022	100% owned by Citi Profit BVI
Makesi WFOE2	● A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE) ● Incorporated on December 2020	100% owned by TMSR HK
Highlight WFOE	● A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE) ● Incorporated on January 2023	100% owned by Highlight HK
Wuge[1]	● A PRC limited liability company ● Incorporated on July 4, 2019	VIE of Makesi WFOE
Highlight Media[3]	● A PRC limited liability company ● Incorporated on September 16, 2022	VIE of Highlight WFOE
AI Catalysis	● A Nevada company ● Incorporated on May 2023	100% owned by the Company
SH Xianzhui	● A PRC limited liability company ● Incorporated on May 2023	60% owned by Highlight WFOE

1 Disposed on September 28, 2022
2 Disposed on June 26, 2023

3 Disposed on September 26, 2023

Contractual Arrangements

Wuge, Yuanma, Highlight Media is 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.

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 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.

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 WFOE and Yuanma dated June 21, 2022, 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. WFOE exclusively owns any intellectual property rights arising from the performance of this agreement. 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 WFOE unilaterally by prior written notice to the other parties. 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 WFOE, Yuanma and Yuanma Shareholders dated June 21, 2022, Yuanma Shareholders pledged all of their equity interests in Yuanma to 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, 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 WFOE, Yuanma and Yuanma Shareholders dated June 21, 2022, each of Yuanma Shareholders irrevocably granted to 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, WFOE or its designee has the right to acquire any and all of its assets of Yuanma. Without 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 WFOE, Yuanma and Yuanma Shareholders dated June 21, 2022, each Yuanma Shareholder irrevocably appointed 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 WFOE unilaterally by prior written notice to the other parties.

On June 26, 2023, the Company 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. TMSR HK has a direct wholly-owned subsidiary, Makesi WFOE, and an indirect wholly-owned subsidiary, Yuanma. The sale of TMSR included the sale of Makesi WFOE and Yuanma. None of TMSR HK, Makesi WFOE or Yuanma had any assets, employees or operation. The sale of TMSR did not have any material impact on the Company's consolidated financial statements.

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 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.

As of the date of this report, the Company primary operations are focused on the Highlight Media business that is in enterprise brand management service in China, and on the AI Catalysis business that is in the livestreaming market with focus on e-commerce and livestreaming interactive game in the United States. All Wuge digital door signs business 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 unaudited condensed financial statements of the Company include the accounts of GDC and its wholly owned subsidiaries and VIE. All intercompany transactions and balances are eliminated upon consolidation.

Use of estimates and assumptions

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company's unaudited condensed consolidated financial statements include the useful lives of intangible assets, deferred revenues and plant and equipment, impairment of long-lived assets, collectability of receivables, present value and lease liabilities. Actual results could differ from these estimates.

Foreign currency translation and transaction

The reporting currency of the Company is the U.S. dollar. The Company in China conducts its businesses in the local currency, Renminbi (RMB), as its functional currency. Assets and liabilities are translated at the unified exchange rate as quoted by the People's Bank of China at the end of the period. The statement of income 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 $ 71,468 and $179,460 as of September 30, 2023 and December 31, 2022, respectively. The balance sheet amounts, with the exception of shareholders' equity at September 30, 2023 and December 31, 2022 were translated at 7.30 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 statement of income accounts for the nine months ended September 30, 2023 and 2022 were 7.03 RMB and 6.61 RMB, respectively. Cash flows are also translated at average translation rates for the periods, therefore, amounts reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet.

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.

Accounts receivable, net

Accounts receivable include trade accounts due from customers. An allowance for doubtful accounts may be established and recorded based on management's assessment of potential losses based on the credit history and relationships with the customers. Management reviews its receivables on a regular basis to determine if the bad debt allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

Prepayments

Prepayments are funds deposited or advanced to outside vendors for future inventory or services purchases. As a standard practice in China, many of the Company's vendors require a certain amount to be deposited with them as a guarantee that the Company will complete its purchases on a timely basis. This amount is refundable and bears no interest. The Company has legally binding contracts with its vendors, which require any outstanding prepayments to be returned to the Company when the contract ends.

Plant and equipment

Plant and 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 income and comprehensive income. 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, and it is 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 are included in non-current prepayments, receivables and other assets and operating lease liabilities are included in current accrued expenses, accounts payable and other liabilities and other 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.

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, 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 plant, equipment and intangible 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. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the 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 plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values.

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, notes receivable, accounts receivable, other receivables, prepayments, accounts payable, other payables and accrued liabilities, customer deposits and taxes payable 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.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Customer deposits

Highlight Media typically receives customer deposits for services to be rendered from its customers. As Highlight Media delivers the services, it will recognize these deposits to results of operations in accordance to its revenue recognition policy.

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 ASU 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 ASU 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 ASU 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's disaggregate revenue streams from continuing operations are summarized as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Software copyright	$ -	$ -	$ 150,000	$ -
Total revenues	$ -	$ -	$ 150,000	$ -

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 three months ended September 30, 2023 and 2022. As of September 30, 2023, the Company's PRC tax returns filed for 2020, 2021 and 2022 remain subject to examination by any applicable tax authorities.

Earnings per share

Basic earnings per share are computed by dividing income available to common shareholders of the Company by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares. 9,079,348 and 10,500,000 of outstanding warrants which is equivalent to convertible of 4,539,674 and 5,250,000 common shares were excluded from the diluted earnings per share calculation due to its antidilutive effect for the three months ended September 30, 2023 and 2022, respectively. 824,000 of outstanding options were excluded from the diluted earnings per share calculation due to its antidilutive effect for the three months ended September 30, 2023 and 2022.

Reclassification

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings (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 is currently evaluating the impact of the new guidance on the consolidated financial statements.

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 does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

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 the Company for the year ending March 31, 2025 and interim reporting periods during the year ending March 31, 2025. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's unaudited condensed consolidated balance sheets, statements of income and comprehensive income 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. It is committed to becoming a modern science and technology media organization that fully empowers the development of customer enterprises in the era of artificial intelligence and big data. 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.

The Company's acquisition of Highlight Media was accounted for as a business combination in accordance with ASC 805. 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, plant and 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
Plant and 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. 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. None of TMSR HK, Makesi WFOE or Yuanma had any assets, employees or operation. The sale of TMSR HK did not have 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.

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. Makesi WFOE is deemed to have a controlling financial interest and be the primary beneficiary of Highlight Media because it has both of the following characteristics:

(1) The power to direct activities at Highlight Media 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 that could potentially be significant to such entity.

Accordingly, the accounts of Highlight Media are consolidated in the accompanying financial statements pursuant to ASC 810-10, Consolidation. In addition, its financial positions and results of operations are included in the Company's consolidated financial statements prior to September 30, 2023.

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.

The carrying amount of the VIE's assets and liabilities are as follows:

	September 30, 2023	December 31, 2022
Cash and cash equivalents	-	215,880
Accounts receivable, net	-	194,520
Other receivables, net	-	78,293
Prepayments	-	-
Total current assets	$ -	$ 488,693
Plants and equipment	-	502
Goodwill	-	2,190,485
Total assets	-	2,679,680
Current liabilities	-	333,784
Non-current liabilities	-	-
Total liabilities	-	333,784
Net assets	$ -	$ 2,345,896
Accounts payable	$ -	$ 116,105
Other payables and accrued liabilities	-	13,469
Other payables – related party	-	-
Tax payables	-	195,732
Customer Advances	-	8,478
Wages payable	-	-
Total current liabilities	-	333,784
Lease liabilities – non-current	-	-
Total liabilities	$ -	$ 333,784

The summarized operating results of the VIE's are as follows:

	For the Nine Months Ended September 30, 2023
Operating revenues	$ -
Gross profit	-
Income from operations	-
Net loss	$ -

Note 5 – Accounts receivable

Accounts receivable consist of the following:

	September 30, 2023	December 31, 2022
Accounts receivable	$ 150,000	$ 197,640
Less: Allowance for doubtful accounts	-	(3,120)
Total accounts receivable, net	$ 150,000	$ 194,520

Movement of allowance for doubtful accounts is as follows:

	September 30, 2023	December 31, 2022
Beginning balance	$ (3,120)	$ -
Addition	-	(3,120)
Disposal of Highlight Media	2,949	-
Exchange rate effect	171	-
Ending balance	$ -	$ (3,120)

Note 6 – Other receivables

	September 30, 2023	December 31, 2022
Receivable from disposal of Wuge	$ -	$ 948,000
Receivable from disposal of Highlight Media	100,000	-
Interest receivable from convertible notes	46,575	-
Others	-	78,293
Total other receivables, net	$ 146,575	$ 1,026,293

The balance of $100,000 on September 30, 2023 is the consideration required to be received upon disposal of Highlight Media.

The balance of $948,000 on December 31, 2022 is the consideration required to be received upon disposal of Wuge, the shares that have cancelled their corresponding value on March 9, 2023.

Note 7 – Plant and equipment, net

Plant and equipment consist of the following:

	September 30, 2023	December 31, 2022
Office equipment and furniture	$ 9,617	$ 10,039
Subtotal	9,617	10,039
Less: accumulated depreciation	(751)	(9,537)
Total	$ 8,866	$ 502

Depreciation expense for the nine months ended September 30, 2023 and 2022 amounted to $ 751 and $33,192, respectively.

Note 8 – Intangible assets, net

Intangible assets consist of the following:

	September 30, 2023	December 31, 2022
Software	$ 3,250,000	$ -
Subtotal	3,250,000	-
Less: accumulated amortization	(162,500)	-
Total	$ 3,087,500	$ -

Amortization expense for the nine months ended September 30, 2023 and 2022 amounted to $ 162,500 and $98, respectively.

Note 9 – Goodwill

The changes in the carrying amount of goodwill by business units are as follows:

	Highlight Media	Total
Balance as of December 31, 2022	$ 2,190,485	$ 2,190,485
Impairment	(2,070,753)	(2,070,753)
Foreign currency translation adjustment	(119,732)	(119,732)
Balance as of September 30, 2023	$ -	$ -

Note 10 – Related party balances and transactions

Related party balances

Prepaid expense – related party:

Name of related party	Relationship	September 30, 2023	December 31, 2022
XIAO JIAN WANG	Chief Executive Officer of the Company	$ 100,000	$ -
Total		$ 100,000	$ -

The above balances represent travel advances to the Chief Executive Officer of the Company.

Other payables – related parties:

Name of related party	Relationship	September 30, 2023	December 31, 2022
Shanghai Highlight Asset Management Co. LTD	A company in which shareholder hold shares	$ -	$ 195,732
Total		$ -	$ 195,732

The above payables represent interest free loans and advances. These loans and advances are unsecured and due on demand.

Note 11 – Long-term investment, net

The Company's long-term investments consisted of the following:

	September 30, 2023	December 31, 2022
Available-for-sale debt investments	$ 2,500,000	$ -
Total	$ 2,500,000	$ -

As of September 30, 2023, the Company subscribed to a total of $ 2,500,000 in convertible notes of Liquid Marketplace Corp and DigiTrax Entertainment Inc.

Note 12 – Leases

Leases are classified as operating leases or finance leases in accordance with ASC 842. 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.

	September 30, 2023	December 31, 2022
Weighted average discount rate:		
Operating lease	5.25 years	N/A
Weighted average discount rate:		
Operating lease	4.24%	N/A

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

	September 30, 2023	December 31, 2022
Operating lease right-of-use assets, net		
Operating lease	1,683,518	-
Lease liabilities		
Current portion of operating lease liabilities	324,162	-
Non-current portion of operating lease liabilities	1,388,238	-
	1,712,400	-

Future lease payments under operating leases as of September 30, 2023 were as follows:

	Operating Leases
FY2024	344,768
FY2025	383,632
FY2026	391,305

FY2027	399,131
FY2028	407,114
Total lease payments	1,925,949
Less: imputed interest	213,549
Present value of lease liabilities [1]	1,712,400

(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 $324,162 and $1,388,238 for the nine months ended September 30, 2023, respectively.

Note 13 – Taxes

Income tax

United States

GDC was organized in the state of Delaware in April 2015 and the nine months ended September 30, 2023 amounted to nil. As of September 30, 2023, GDC's net operating loss carry forward for United States income taxes was approximately $0. The net operating loss carry forwards are available to reduce future years' taxable income through year 2038. 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 nine months ended September 30, 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.

Cayman Islands

China Sunlong is incorporated in the Cayman Islands and are not subject to tax on income or capital gains under current Cayman Islands law. In addition, upon payments of dividends by China Sunlong to its shareholders, no Cayman Islands withholding tax will be imposed.

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. The applicable tax rate is 16.5% in Hong Kong. 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 and SH Xianzhui are governed by the income tax laws of the PRC and the income tax provision in respect to operations in the PRC is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Enterprise Income Tax Laws of the PRC (the "EIT Laws"), Chinese enterprises are subject to income tax at a rate of 25% after appropriate tax adjustments.

Deferred tax assets

Bad debt allowances must be approved by the Chinese tax authority prior to being deducted as an expense item on the tax return. Significant components of deferred tax assets were as follows:

	September 30, 2023	December 31, 2022
Net operating losses carried forward – U.S.	$ 276,982	$ 4,574,581
Valuation allowance	(276,982)	(4,574,581)
Deferred tax assets, net	$ -	$ -

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 value added tax ("VAT") standard rates are 6% to 17% of the gross sales price and changed to 6% to 16% of gross sales starting in May 2018. 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:

	September 30, 2023	December 31, 2022
VAT taxes payable	$ -	$ 8,478
Other taxes payable	-	-
Total	$ -	$ 8,478

Note 14 – Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. As of September 30, 2023 and December 31, 2022, $1,143,611 and $215,880 and were deposited with various financial institutions located in the PRC, respectively. As of September 30, 2023 and December 31, 2022, $503,537 and $173,228 were deposited with one financial institution located in the U.S., respectively. While management believes 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. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances.

Note 15 – Equity

Restricted net assets

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by Highlight WFOE only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the accompanying unaudited condensed consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of Highlight WFOE.

Highlight WFOE and Highlight Media are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, Highlight WFOE may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. Highlight Media may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by State Administration of Foreign Exchange.

As a result of the foregoing restrictions, Highlight WFOE and Highlight Media are restricted in their ability to transfer their net assets to the Company. Foreign exchange and other regulation in the PRC may further restrict Highlight WFOE and Highlight Media from transferring funds to Highlight HK in the form of dividends, loans and advances. As of September 30, 2023 and December 31, 2022, amounts restricted are the net assets of Highlight WFOE and Highlight Media which amounted to nil and $492,315, respectively.

Common stock

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, pursuant to a securities purchase agreement, dated May 1, 2023, as amended on May 16, 2023. 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 RD Offering is 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.

In the concurrent PIPE offering, the Company sold warrants to purchase up to 1,154,519 shares of common stock to the Purchasers, pursuant to a private warrant securities purchase agreement, dated May 1, 2023. In connection with the offering, the Company paid Univest Securities, LLC, the placement agent, a total cash fee equal to 7.0% of the aggregate gross proceeds received in the offering, a non-accountable expense allowance equal to 1% of the aggregate gross proceeds, and reimbursement for certain out-of-pocket accountable expenses incurred in this offering in the amount of $150,000. In addition, the Company issued to the placement agent warrants to purchase up to 115,452 shares of common stock at an exercise price of $10.02 per share, which represents 120% of the offering price of each share. The net proceeds from the 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.

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. Each Public Unit consists of one share of the Company's common stock, $0.0001 par value, and one warrant. Each warrant will entitle 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 warrants will become exercisable on 30 days after the consummation of its initial Business Combination with China Sunlong on February 6, 2018. The warrants expired on February 5, 2023. The warrants will be redeemable by the Company at a price of $0.01 per warrant upon 30 days prior written notice after the warrants become exercisable, only in the event that the last sale price of the common stock equals or exceeds $12.00 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to the date on which notice of redemption is given.

The sponsor of the Company purchased, simultaneously with the closing of the Public Offering on July 29, 2015, 500,000 units at $5.00 per unit in a private placement for an aggregate price of $2,500,000. Each unit purchased is substantially identical to the units sold in the Public Offering.

The Company sold to the underwriter (and/or its designees), for $100, as additional compensation, an 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 Public Offering. Since the option is not exercisable until the earliest on the closing the initial Business Combination, the option will effectively represent the right to purchase up to 800,000 shares of common stock and 800,000 warrants to purchase 400,000 shares at $5.75 per full share for an aggregate maximum amount of $6,300,000. The units issuable upon exercise of this option are identical to those issued in the Public Offering.

The aforementioned warrants and options are deemed to be effective on February 6, 2018, the date of the consummation of its initial business combination with China Sunlong, as the Company was deemed to be the accounting acquiree in the transaction and the transaction was treated as a recapitalization of China Sunlong.

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, we entered into a securities purchase agreement (the “Securities Purchase Agreement”) with certain purchasers, pursuant to which, on February 22, 2021, we sold (i) 138,889 shares of common stock, (ii) registered warrants (the “Registered Warrants”) to purchase an aggregate of up to 54,646 shares of common stock and (iii) unregistered warrants (the “Unregistered Warrants”) to purchase up to 84,244 shares (the “Warrant Shares”) of common stock in a registered direct offering (the “Registered Direct Offering”) and a concurrent private placement (the “Private Placement,” and together with the Registered Direct Offering, the “Offering”). The terms of the 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 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 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 Securities Purchase Agreement, to purchase an aggregate of up to 84,244 shares of common stock. The 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 Offering was conducted pursuant to a placement agency agreement, dated February 18, 2021 (the “Placement Agency Agreement”), between the Company and Univest Securities, LLC (the “Placement Agent”), on a “reasonable best efforts” basis. 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 this Offering, $250,000 in non-accountable expense which was equal to one percent (1%) of the aggregate gross proceeds raised in the 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, 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 Securities Purchase Agreement, we are 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 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, we 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, the Company entered into a placement agency agreement, as amended on May 16, 2023 (the “Placement Agency Agreement”), with Univest Securities, LLC (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 “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 (the “Common Shares”) 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, as amended on May 16, 2023 (the “RD Securities Purchase Agreement”). The purchase price of each Common Share is $8.35. The purchase price of each Pre-funded Warrant is $8.349, which equals the price per Common Share being sold to the public in the 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 U.S. Securities and Exchange Commission 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 $8.35, 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 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 Shares, Pre-Funded Warrant Shares, and the Unregistered Warrant Shares) at an exercise price of $10.02 per share, which represents 120% of the offering price of each Common Share. The Placement Agent's warrants will have substantially the same terms as the Unregistered Warrants.

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/Acquired	2,114,322	844,351	$ 8.53	4.63
Expired	164,675	5,488	$ 172.5	0.10
Exercised	844,351	844,351	0.001	-
September 30, 2023	5,644,970	145,835	$ 25.03	4.34

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/Acquired	-	-	$ -	-
Expired	824,000	27,467	$ 150.00	0.10
Exercised	-	-	-	-
September 30, 2023	-	-	$ -	-

Note 16 – 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 17 – 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 evaluates performance and determines resource allocations based on a number of factors, the primary measure being income from operations.

The Company's remain business segment and operations are Highlight Media (prior to September 30, 2023) and AI Catalysis. The Company's consolidated results of operations and consolidated financial position from continuing operations are almost all attributable to Highlight Media and AI Catalysis; accordingly, management believes that the consolidated balance sheets and statement of operations provide the relevant information to assess Highlight Media and AI Catalysis's performance.
The following represents assets by division as of:

Total assets as of	September 30, 2023	December 31, 2022
Highlight Media	$ -	$ 489,195
SH Xianzhui	3,871,388	-
GDC, AI Catalysis, Citi Profit BVI , TMSR HK , Highlight HK, Highlight WFOE and Makesi WFOE	10,034,903	3,311,713
Total Assets	$ 13,906,291	$ 3,800,908

	For the Nine Months Ended September 30,	
Total revenues of	2023	2022
Highlight Media	$ -	$ -
SH Xianzhui		
GDC, AI Catalysis, Citi Profit BVI , TMSR HK , Highlight HK, Highlight WFOE and Makesi WFOE	150,000	-
Total revenues	$ 150,000	$ -

Note 18 – Discontinued Operations

The following depicts the result of operations for the discounted operations of Highlight Media for the nine months ended September 30, 2023 and Wuge for the nine months ended September 30, 2022, respectively.

For the Nine Months Ended September 30,

	2023	2022
REVENUES		
Enterprise brand management services	165,993	-
Wuge digital door signs	-	7,616,615
TOTAL REVENUES	165,993	7,616,615
COST OF REVENUES		
Enterprise brand management services	114,247	-
Wuge digital door signs	-	5,527,950
TOTAL COST OF REVENUES	114,247	5,527,950
GROSS PROFIT	51,746	2,088,665
OPERATING EXPENSES		
Selling, general and administrative	113,552	1,605,935
TOTAL OPERATING EXPENSES	113,552	1,605,935
(LOSS) INCOME FROM OPERATIONS	(61,806)	482,730
OTHER INCOME (EXPENSE)		
Interest income	49	65,251
Interest expense	(248)	(935)
Other income, net	709	70,830
Total other expense, net	510	135,146
(LOSS) INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	(61,296)	617,876
PROVISION FOR INCOME TAXES	112	314,787
(LOSS) INCOME FROM CONTINUING OPERATIONS	(61,408)	303,089
Net loss attributable to noncontrolling interest	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS OF GD CULTURE GROUP LIMITED	(61,408)	303,089

Note 19 – Subsequent events

(i) Investment in JV

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 JV"), pursuant to which the Highlight WFOE agreed to purchase 13.3333% equity interest in SH Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at $2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. 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 Highlight WFOE may terminate the Agreement at any time with a three (3) day advance written notice to Beijing Hehe.

(ii) November 2023 Registered Direct Offering

On November 1, 2023, the Company entered into a placement agency agreement (the "Placement Agency Agreement"), with Univest Securities, LLC (the "Placement Agent" or "Univest"). Pursuant to the Placement Agency Agreement, the Placement Agent agrees to use its reasonable best efforts to sell the Company's common stock (the "Common Stock") in a registered direct offering (the "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 Offering, (i) an aggregate of 1,436,253 shares of common stock (the "Common Shares") 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 "Securities Purchase Agreement"). The purchase price of each Common Share is $3.019. The purchase price of each Pre-funded Warrant is $ 3.018, which equals the price per Common Share being sold in this 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.

The Offering is 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.

The net proceeds from the 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 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 Offering. The Company also agreed to reimburse the Placement Agent certain out-of-pocket accountable expenses incurred in this Offering up to $150,000.

In concurrent with the Offering, on November 1, 2023, the Company entered into certain warrant exchange agreements (the "Warrant Exchange Agreements") with certain holders of warrants issued by the Company on May 16, 2023 in a private placement (the "Existing Warrants"), 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 Existing Warrants, and the Company shall cancel the Existing 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.

On November 17, 2023, the Company entered into an amendment to the Securities Purchase Agreement with the Purchasers, pursuant to which Exhibit

B to the 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 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.

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

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

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

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 ("GDC" or the "Company"), focuses its business on three segments mainly through one of its subsidiaries, AI Catalysis Corp.: 1) AI-driven digital human creation and customization; 2) Live streaming and ecommerce 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 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 use case, the Company helps the customers to define the objectives to achieve with digital humans, choose the technology for character customization, then create unique aviators and deploy in the chosen platform.

For e-Commerce and Live Streaming 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 our players.

We generate our revenue primarily from: 1) Service revenue and advertising revenue from Digital Human Creation and Customization; 2) Products' Sales revenue from social live streaming ecommerce 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.

<u>Discontinued Business</u>

Prior to September 28, 2022, we also conducted business through Wuge Network Games Co., Ltd. ("Wuge"). 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 Yuanma's financial results in 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 HK, which owns 100% equity interest in Makesi WFOE. Makesi WFOE had a series of contractual arrangement with 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 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. None of TMSR HK, Makesi WFOE or Yuanma had any assets, employees or operation. 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 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 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 International, LLC as its new independent registered public accounting firm to audit the Company's financial statements.

Investment in SH Xianzhui

On August 10, 2023, Highlight WFOE, Beijing Hehe Property Management Co., Ltd. ("Beijing Hehe"), and a third party, established SH Xianzhui under the laws of the People's Republic of China for social media marketing. Highlight WFOE owns 60% of the equity interest of SH Xianzhui, Beijing Hehe owns 20% of the equity interest of SH Xianzhui and the third party owns the remaining 20% of the equity interest of SH 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 SH Xianzhui"), pursuant to which the Highlight WFOE agreed to purchase 13.3333% equity interest in SH Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at $2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. 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 Highlight WFOE may terminate the Agreement at any time with a three (3) day advance written notice to Beijing Hehe.

November 2023 Registered Direct Offering

On November 1, 2023, the Company entered into a placement agency agreement (the "Placement Agency Agreement"), with Univest Securities, LLC (the "Placement Agent" or "Univest"). Pursuant to the Placement Agency Agreement, the Placement Agent agrees to use its reasonable best efforts to sell the Company's common stock (the "Common Stock") in a registered direct offering (the "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 Offering, (i) an aggregate of 1,436,253 shares of common stock (the "Common Shares") 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 "Securities Purchase Agreement"). The purchase price of each Common Share is $3.019. The purchase price of each Pre-funded Warrant is $3.018, which equals the price per Common Share being sold in this 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.

The Offering is 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.

The net proceeds from the 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 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 Offering. The Company also agreed to reimburse the Placement Agent certain out-of-pocket accountable expenses incurred in this Offering up to $150,000.

In concurrent with the Offering, on November 1, 2023, the Company entered into certain warrant exchange agreements (the "Warrant Exchange Agreements") with certain holders of warrants issued by the Company on May 16, 2023 in a private placement (the "Existing Warrants"), 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 Existing Warrants, and the Company shall cancel the Existing 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.

On November 17, 2023, the Company entered into an amendment to the Securities Purchase Agreement with the Purchasers, pursuant to which Exhibit B to the 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 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.

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 nine months ended September 30, 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

Three Months Ended September 30, 2023 vs. September 30, 2022

	2023	2022	Change	Percentage Change
Revenues				
Enterprise brand management	-	-	-	N/A%
Software copyright	-	-	-	N/A%
Total revenues	-	-	-	N/A%
Cost of Revenues				
Enterprise brand management service	-	-	-	N/A%
Software copyright	-	-	-	N/A%
Total cost of revenues	-	-	-	N/A%
Gross profit	-	-	-	N/A%
Operating expenses	3,667,011	64,041	3,602,970	5,626.0%
Loss from operations	(3,667,011)	(64,041)	(3,602,970)	5,626.0%
Other income, net	46,839	-	46,839	100.0%
Loss before income tax from continuing operations	(3,620,172)	(64,041)	(3,556,131)	5,552.9%
Provision for income taxes	-	-	-	N/A%
Loss from continuing operations	(3,620,172)	(64,041)	(3,556,131)	5,552.9%
Net loss attributable to noncontrolling interest	(102,485)	-	(102,485)	(100.0)%
Loss from continuing operations attributable to GD Culture Group Limited	(3,517,687)	(64,041)	(3,453,646)	5,392.9%
Discontinued operations:				
Loss from discontinued operations	(10,358)	-	(10,358)	(100.0)%
Loss on disposal, net of taxes	(230)	(4,027,930)	4,027,700	(100.0)%
Net Loss	(3,528,275)	(4,091,971)	563,696	(13.8)%

Operating Expenses

The Company's operating expenses include selling, general and administrative ("SG&A") expenses, and recovery of doubtful accounts.

SG&A expenses increased by approximately $3.6 million from approximately $0.1 million for the three months ended September 30, 2022 to approximately $3.7 million for the three months ended September 30, 2023. The increase was mainly due to the combined impact of (i) the reduction of impairment of prepayments, (ii) increase in professional service fees incurred for industry research and analysis and daily operation management, (iii) the expansion of our administrative associated personnel cost, and (iv) increase in operating and lease expenses for offices.

Other Income, Net

The Company's other income increased by approximately $ 47 thousand during the three months ended September 30, 2023, compared to nil for the three months ended September 30, 2022. The increase was due to the accrued interest for the investment in convertible notes.

Loss from Continuing Operations

As a result of the foregoing, loss from continuing operations for the three months ended September 30, 2023 was approximately $3. 6 million, an increase of approximately 5552.9%, from approximately loss from continuing operations of $0.1 million for the three months ended September 30, 2022.

Net Loss

The Company's net loss decreased by approximately $0. 6 million, or 13.8%, to approximately $3.5 million net loss for the three months ended September 30, 2023, from approximately $4.1 million net loss for the same period in 2022. The decrease was mainly due to the combined impact of (i) the reduction of impairment of prepayments, (ii) increase in professional service fees incurred for industry research and analysis and daily operation management, (iii) the expansion of our administrative associated personnel cost, (iv) increase in operating and lease expenses for offices the reduction of impairment of prepayments, and (v) loss on disposal of Wuge in 2022.

Nine Months Ended September 30, 2023 vs. September 30, 2022

	2023	2022	Change	Percentage Change
Revenues				
Enterprise brand management	-	-	-	N/A%
Software copyright	150,000	-	150,000	100.0%
Total revenues	150,000	-	150,000	100.0%
Cost of Revenues				
Enterprise brand management service	-	-	-	N/A%
Software copyright	-	-	-	N/A%
Total cost of revenues	-	-	-	N/A%
Gross profit	150,000	-	150,000	100.0%
Operating expenses	3,942,947	19,749,408	(15,806,461)	(80.0)%
Loss from operations	(3,792,947)	(19,749,408)	15,956,461	(80.8)%
Other income, net	147,018	-	147,018	100.0%
Loss before income tax from continuing operations	(3,645,929)	(19,749,408)	16,103,479	(81.5)%
Provision for income taxes	-	-	-	N/A%
Loss from continuing operations	(3,645,929)	(19,749,408)	16,103,479	(81.5)%
Net loss attributable to noncontrolling interest	(102,485)	-	(102,485)	(100.0)%
Loss from continuing operations attributable to GD Culture Group Limited	(3,543,444)	(19,749,408)	16,205,964	(82.1)%
Discontinued operations:				
Loss from discontinued operations	(61,408)	303,089	(364,497)	(120.3)%
Loss on disposal, net of taxes	(230)	(4,027,930)	4,027,700	(100.0)%
Net Loss	(3,605,082)	(23,474,249)	19,869,167	(84.6)%

Revenues

The Company's revenue consists of software copyright. Total revenues increased by $0.2 million, compared to nil for the nine months ended September 30, 2022. The increase was mainly due to the start of operation of AI Catalysis.

Gross Profit

The Company's gross profit increased by $0.2 million, during the nine months ended September 30, 2023, compared to nil for the nine months ended September 30, 2022. The increase was due to the start of operation of AI Catalysis.

Operating Expenses

The Company's operating expenses include selling, general and administrative ("SG&A") expenses, and recovery of doubtful accounts.

SG&A expenses decreased by approximately $15.8 million from approximately $19.7 million for the nine months ended September 30, 2022 to approximately $3.9 million for the nine months ended September 30, 2023. The decrease was mainly due to the combined impact of (i) the reduction of impairment of prepayments, (ii) increase in professional service fees incurred for industry research and analysis and daily operation management, (iii) the expansion of our administrative associated personnel cost, (iv) increase in operating and lease expenses for offices, and (v) the reduction of impairment of goodwill.

Other Income, Net

The Company's other income increased by approximately $147 thousand during the nine months ended September 30, 2023, compared to nil for the nine months ended September 30, 2022. The increase was due to the accrued interest for the investment in convertible notes.

Loss from Continuing Operations

As a result of the foregoing, loss from continuing operations for the nine months ended September 30, 2023 was approximately $3.6 million, a decrease of approximately $16.1 million, or approximately 81.5%, from approximately loss from operations of $19.7 million for the nine months ended September 30, 2022. The decrease was mainly due to the combined impact of (i) the reduction of impairment of prepayments, (ii) increase in professional service fees incurred for industry research and analysis and daily operation management, (iii) the expansion of our administrative associated personnel cost, (iv) increase in operating and lease expenses for offices, and (v) the reduction of impairment of goodwill.

Net Loss

The Company's net loss decreased by approximately $19.9 million, or 84.6%, to approximately $3.6 million net loss for the nine months ended September 30, 2023, from approximately $23.5 million net loss for the same period in 2022. The decrease was mainly due to the combined impact of (i) the reduction of impairment of prepayments, (ii) increase in professional service fees incurred for industry research and analysis and daily operation management, (iii) the expansion of our administrative associated personnel cost, (iv) increase in operating and lease expenses for offices, and (v) the reduction of impairment of goodwill.

Critical Accounting Policies and Estimates

The preparation of the unaudited condensed financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our unaudited condensed consolidated financial statements. These accounting policies are important for an understanding of our financial condition and results of operation. Critical accounting policies are those that are most important to the portrayal of our financial conditions and results of operations and require management's difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our unaudited condensed consolidated financial statements.

Cash and cash equivalents

The Company considers certain short-term, highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. Cash and cash equivalents primarily represent bank deposits and fixed deposits with maturities of less than three months.

Investments

The Company purchases certain liquid short term investments such as money market funds and or other short-term debt securities marketed by large financial institutions. These investments are not insured against loss of principal. These investments are accounted for as financial instruments that are marked to fair market value at the end of each reporting period. As result of their short maturities, and limited risk profile, at times, their amortized carrying cost may be the best approximation their fair value.

Accounts receivable, net

Accounts receivable include trade accounts due from customers. An allowance for doubtful accounts may be established and recorded based on management's assessment of potential losses based on the credit history and relationships with the customers. Management reviews its receivables on a regular basis to determine if the bad debt allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

Prepayments

Prepayments are funds deposited or advanced to outside vendors for future inventory purchases. As a standard practice in China, many of the Company's vendors require a certain amount to be deposited with them as a guarantee that the Company will complete its purchases on a timely basis. This amount is refundable and bears no interest. The Company has legally binding contracts with its vendors, which require any outstanding prepayments to be returned to the Company when the contract ends.

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 us. The Company considers the carrying amount of cash, notes receivable, accounts receivable, other receivables, prepayments, accounts payable, other payables and accrued liabilities, customer deposits, short term loans and taxes payable 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.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

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 warranty 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 warranty 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 ASU 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 ASU 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 ASU 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 warranty 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.

Revenues from digital doors signs are recognized at a point in time when legal title and control over the sign is transferred to the customer. Management has determined that for the sales of digital door signs there is a single performance obligation that is met when the aforementioned control is transferred. Typically, customers make payment for the product in advance; the Company will record the payment as contract liabilities under the liability account customer deposits until the Company delivers the product by transferring control. Such revenues are recognized at a point in time after all performance obligations are satisfied under the new five-step model.

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

Gross versus Net Revenue Reporting

Starting from July 2016, in the normal course of the Company's trading of industrial waste materials business, the Company directly purchases the processed industrial waste materials from the Company's suppliers under the Company's specifications and drop ships the materials directly to the Company's customers. The Company would inspect the materials at its customers' site, during which inspection it temporarily assumes legal title to the materials, and after which inspection legal title is transferred to its customers. In these situations, the Company generally collects the sales proceeds directly from the Company's customers and pay for the inventory purchases to the Company's suppliers separately. The determination of whether revenues should be reported on a gross or net basis is based on the Company's assessment of whether it is the principal or an agent in the transaction. In determining whether the Company is the principal or an agent, the Company follows the new accounting guidance for principal-agent considerations. Since the Company is the primary obligor and is responsible for (i) fulfilling the processed industrial waste materials delivery, (ii) controlling the inventory by temporarily assume legal title to the materials after inspecting the products from our vendors before passing the materials to our customers, and (iii) bearing the back-end risk of inventory loss with respect to any product return from the Company's customers, the Company has concluded that it is the principal in these arrangements, and therefore report revenues and cost of revenues on a gross basis.

Recently Issue Accounting Pronouncements

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this Update affect any entity that is required to apply the provisions of Topic 220, Income Statement – Reporting Comprehensive Income, and has items of other comprehensive income for which the related tax effects are presented in other comprehensive income as required by GAAP. The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this Update should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. We do not believe the adoption of this ASU would have a material effect on our consolidated financial statements.

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 income and comprehensive income and statements of cash flows.

Liquidity and Capital Resources

The Company has funded working capital and other capital requirements primarily by equity contributions, loans from shareholders, cash flow from operations, short term bank loans, loans from third parties. Cash is required to repay debts and pay salaries, office expenses, income taxes and other operating expenses. As of September 30, 2023, our net working capital was approximately $6.3 million and is expected to continue to generate cash flow by operations from the acquisitions of new companies in the twelve months period.

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 nine months ended September 30, 2023 and 2022.

	For the Nine Months Ended September 30,	
	2023	**2022**
Net cash used in by operating activities	$ (6,465,350)	$ (966,745)
Net cash used in investing activities	(5,009,617)	(12,275,607)
Net cash provided by financing activities	12,733,759	-
Effect of exchange rate change on cash	(752)	(1,095,699)
Net change in cash	$ 1,258,040	$ (14,338,051)

As of September 30, 2023 and December 31, 2022, the Company had cash in the amount of $1.6 million and $0.4 million, respectively. As of September 30, 2023 and December 31, 2022, $1.1 million and $0.2 million and were deposited with various financial institutions located in the PRC, respectively. As of September 30, 2023 and December 31, 2022, $0.5 million and $0.2 million were deposited with one financial institution located in the United States, respectively.

Operating activities

Net cash used in operating activities was approximately $6. 5 million for the nine months ended September 30, 2023, as compared to approximately $1.0 million net cash used in operating activities for the September 30, 2022. Net cash used in operating activities was mainly due to the increase of approximately $4.6 million of prepayments, the increase of $0.1 million of prepaid expense-related party, the decrease of approximately $0.2 million of other payables-related parties, and the increase of approximately $0.1 million of customer deposits.

Investing activities

Net cash used in investing activities was $5.0 million for the nine months ended September 30, 2023, as compared to approximately $12.3 million net cash used in investing activities for the nine months ended September 30, 2022. Net cash used in investing activities was mainly due to the purchase of intangible assets with the amount of $2.5 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 $12. 7 million for the nine months ended September 30, 2023, as compared to nil net cash used in financing activities for the nine months ended September 30, 2022. Net cash provided by financing activities was mainly due to the increase of approximately $8.6 million of issuance of common stock and contribution by noncontrolling shareholder with the amount of $4.1 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

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

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

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

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

Liquidity Risk

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

Inflation Risk

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

Foreign Currency Risk

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the information included in this Quarterly Report on Form 10-Q and the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 before making an investment in our common stock. Our business, financial condition, results of operations, or prospects could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There are no material changes to the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including those set forth below.

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

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

On October 27, 2023, the Company entered into an equity purchase agreement with Highlight WFOE and Beijing Hehe, which was amended on November 10, 2023 (such equity purchase agreement, as amended, the "Agreement" for purpose of this section), pursuant to which the Highlight WFOE agreed to purchase 13.3333% equity interest in SH Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at $2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. 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 Highlight WFOE may terminate the Agreement at any time with a three (3) day advance written notice to Beijing Hehe.

As of the date of this report, the transaction has not been completed and such shares have not been issued.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
32.2	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

GD CULTURE GROUP LIMITED

Date: November 20, 2023

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

Date: November 20, 2023

By: */s/ Zihao Zhao*
Name: Zihao Zhao
Title: Chief Financial Officer and Secretary

(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT 31.1

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

I, Xiao Jian Wang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and nine months' periods ended September 30, 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: November 20, 2023

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

EXHIBIT 31.2

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

I, Zihao Zhao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and nine months' periods ended September 30, 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: November 20, 2023

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

EXHIBIT 32.1

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

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

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited. (the "Company") for the quarterly period ended September 30, 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: November 20, 2023

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.

EXHIBIT 32.2

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

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

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited (the “Company”) for the quarterly period ended September 30, 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: November 20, 2023

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

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