

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

FORM 10-Q

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

For the quarterly period ended March 31, 2026

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

(State or other jurisdiction of
incorporation or organization)

47-3709051

(I.R.S. Employer
Identification Number)

**111 Town Square Place, Suite #1203
Jersey City, NJ**

(Address of principal executive offices)

07310

(Zip Code)

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

Not applicable

(Former name or former address, if changed since last report)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of April 10, 2026, there were 60,759,711 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 of our securities, which may adversely impact our share price; and
- depth of the trading market in our securities.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties, including those described in Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 and elsewhere in this Quarterly Report on Form 10-Q.

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

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
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GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2026 (unaudited)	December 31, 2025
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,805	\$ 456,041
Other receivables, net	32,609	41,803
Prepayments	84,934	331,588
Digital assets - current	72,310	-
Total current assets	<u>206,658</u>	<u>829,432</u>
EQUIPMENT, NET	1,871	3,477
RIGHT-OF-USE ASSETS, NET	916,711	987,988
OTHER ASSETS		
Intangible assets, net	4,790,808	5,090,238
Other assets	250,740	250,740
Digital assets	500,541,371	662,996,878
Total other assets	<u>505,582,919</u>	<u>668,337,856</u>
Total assets	<u>\$ 506,708,159</u>	<u>\$ 670,158,753</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Other payables and accrued liabilities	\$ 857,310	\$ 507,745
Other payables - related parties	487,540	165,016
Lease liabilities - current	361,546	353,648
Income tax payable	207,554	187,995
Total current liabilities	<u>1,913,950</u>	<u>1,214,404</u>
OTHER LIABILITIES		
Lease liabilities – non-current	695,153	781,216
Deferred tax liabilities	21,146	20,988
Total other liabilities	<u>716,299</u>	<u>802,204</u>
Total liabilities	<u>2,630,249</u>	<u>2,016,608</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.0001 par value, 1,000,000,000 shares authorized, no shares issued and outstanding as of March 31, 2026 and December 31, 2025	-	-
Common stock, \$0.0001 par value, 10,000,000,000 shares authorized, 60,759,711 and 57,318,111 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively	6,076	5,732
Additional paid-in capital	937,771,930	937,770,530
Accumulated deficit	(434,137,058)	(270,071,082)
Accumulated other comprehensive income	152,637	152,627
Total GD Culture Group Limited shareholders' equity	<u>503,793,585</u>	<u>667,857,807</u>
Noncontrolling interest	284,325	284,338
Total shareholders' equity	<u>504,077,910</u>	<u>668,142,145</u>
Total liabilities and shareholders' equity	<u>\$ 506,708,159</u>	<u>\$ 670,158,753</u>

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

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

	For the three months ended March 31,	
	2026	2025
OPERATING EXPENSES		
General and administrative expenses	\$ (1,346,804)	\$ (937,877)
Research and development expenses	(303,000)	-
TOTAL OPERATING EXPENSES	(1,649,804)	(937,877)
LOSS FROM OPERATIONS	(1,649,804)	(937,877)
OTHER (EXPENSE) INCOME		
Interest income	-	2,118
Unrealized loss on fair value changes of digital assets	(162,483,197)	-
Sublease rental income	97,826	-
TOTAL (EXPENSE) INCOME	(162,385,371)	2,118
LOSS BEFORE INCOME TAXES	(164,035,175)	(935,759)
LESS: INCOME TAX EXPENSES	(30,818)	(41,751)
NET LOSS	\$ (164,065,993)	\$ (977,510)
Net loss attributable to noncontrolling interest	(17)	-
Net loss attributable to shareholders of common stock	(164,065,976)	(977,510)
OTHER COMPREHENSIVE INCOME		
- Foreign currency translation adjustment	14	6
OTHER COMPREHENSIVE INCOME, net of tax	14	6
COMPREHENSIVE LOSS, net of tax	\$ (164,065,979)	\$ (977,504)
Comprehensive (loss) income attributable to noncontrolling interest	(13)	2
Comprehensive loss attributable to shareholders of common stock	(164,065,966)	(977,506)
WEIGHTED AVERAGE NUMBER OF COMMON STOCKS		
Basic and diluted	64,786,647	11,514,370
Loss per share available to common shareholders		
Basic and diluted	\$ (2.53)	\$ (0.08)

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the three months ended March 31, 2026

	Attributable to GD Culture Group Limited Shareholders							Total GD Culture Group Limited Shareholders' Equity	Non controlling Interest	Total Shareholders' Equity
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income			
	Shares	Amount	Shares	Amount						
Balance, January 1, 2026	-	\$ -	57,318,111	\$ 5,732	\$ 937,770,530	\$ (270,071,082)	\$ 152,627	\$ 667,857,807	\$ 284,338	\$ 668,142,145
Net loss	-	-	-	-	-	(164,065,976)	-	(164,065,976)	(17)	(164,065,993)
Exercise of May 2025 prefunded warrants	-	-	3,441,600	344	1,400	-	-	1,744	-	1,744
Foreign currency translation	-	-	-	-	-	-	10	10	4	14
Balance, March 31, 2026 (Unaudited)	-	\$ -	60,759,711	\$ 6,076	\$ 937,771,930	\$ (434,137,058)	\$ 152,637	\$ 503,793,585	\$ 284,325	\$ 504,077,910

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

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the three months ended March 31, 2025

	Attributable to GD Culture Group Limited Shareholders									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total GD Culture Group Limited Shareholders' Deficits	Non controlling Interest	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance, January 1, 2025	-	\$ -	11,167,294	\$ 1,117	\$ 82,758,975	\$ (83,194,386)	\$ 152,585	\$ (281,709)	\$ 284,352	\$ 2,643
Net loss	-	-	-	-	-	(977,510)	-	(977,510)	-	(977,510)
Issuance of common stock for cash	-	-	1,115,600	111	909,889	-	-	910,000	-	910,000
Foreign currency translation	-	-	-	-	-	-	4	4	2	6
Balance, March 31, 2025 (Unaudited)	-	\$ -	12,282,894	\$ 1,228	\$ 83,668,864	\$ (84,171,896)	\$ 152,589	\$ (349,215)	\$ 284,354	\$ (64,861)

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

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

	For the three months ended	
	March 31,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (164,065,993)	\$ (977,510)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of equipment	1,606	1,077
Amortization of intangible assets	299,430	62,400
Amortization of right-of-use assets	71,277	112,540
Unrealized loss on fair value changes of digital assets	162,483,197	-
Deferred income tax	158	(83,956)
Changes in operating assets and liabilities		
Other receivables	9,194	-
Prepayments	246,654	(15,579)
Other payables and accrued liabilities	351,309	48,718
Lease liabilities	(78,165)	(124,715)
Taxes payable	19,559	125,707
Other payables - related parties	12,524	20,010
Net cash used in operating activities	(649,250)	(831,308)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of digital assets	(100,000)	-
Net cash used in investing activities	(100,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-	910,000
Proceeds from related party loans	310,000	50,000
Proceeds from shareholder loan	-	100,000
Repayments to a related party	-	(200,000)
Net cash provided by financing activities	310,000	860,000
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	14	6
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(439,236)	28,698
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	456,041	22,538
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 16,805	\$ 51,236
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	\$ 11,101	\$ -
Cash paid for interest	\$ -	\$ -
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES		
Exercise of May 2025 pre-funded warrants	\$ 1,744	\$ -

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

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

Note 1 – Nature of Business and Organization

GD Culture Group Limited (“GDC” or the “Company”), formerly known as Code Chain New Continent Limited, is a Nevada corporation and a holding company. The Company currently conducts its operations through the Company and its subsidiary, AI Catalysis Corp. (“AI Catalysis”). Historically, the Company’s business focused on artificial intelligence-driven digital human creation and customization as well as live streaming and e-commerce activities. The Company has recently begun adjusting its strategic direction and has been scaling back certain artificial intelligence-related initiatives while evaluating new opportunities to utilize its existing artificial intelligence and virtual content generation technologies. As part of this strategic transition, the Company is expanding into the interactive reading and narrative entertainment market. The Company’s subsidiaries, Citi Profit Investment Holding Limited (“Citi Profit BVI”), Highlights Culture Holding Co., Limited (“Highlight HK”), Shanghai Highlight Entertainment Co., Ltd. (“Highlight WFOE”) are holding companies with no material operations. The Company’s subsidiary, Shanghai Xianzhui Technology Co., Ltd. (“SH Xianzhui”), previously engaged in marketing-related services but does not currently conduct business operations and has no material operating activities.

SH Xianzhui was incorporated by Highlight WFOE and two other shareholders on August 10, 2023. SH Xianzhui is principally engaged in the provision of social media marketing agency service. Highlight WFOE initially owned 60% of the total equity interest of SH Xianzhui. On October 27, 2023, the Company entered into an equity purchase agreement with Highlight WFOE and Beijing Hehe Property Management Co., Ltd. (“Beijing Hehe”), which was amended on November 10, 2023 (such equity purchase agreement, as amended, the “Agreement” for purpose of this section “Investment in JV”), pursuant to which the Highlight WFOE agreed to purchase 13.3333% of the equity interest in SH Xianzhui from Beijing Hehe and the Company agreed to issue 400,000 shares of common stock of the Company, valued at \$2.7820 per share, the average closing bid price of the common stock of GDC as of the five trading days immediately preceding the date of the Agreement, to Beijing Hehe or its assigns. On January 11, 2024, the Company issued the 400,000 shares of its common stock, at the price of \$2.5 per share, to Beijing Hehe and the transaction was completed. As of March 31, 2026, the Company owns 73.3333% of the total equity interest of SH Xianzhui.

AI Catalysis is a Nevada corporation, incorporated on May 18, 2023. AI Catalysis is expected to bridge the realms of the internet, media, and artificial intelligence (“AI”) technologies. Positioned at the crossroads of traditional and streaming media, AI Catalysis plans to elevate the experience of media with AI-based interactive and smart content, aiming to transform the whole media landscape.

Acquisition of Pallas

On September 8, 2025, the Company (the “Acquirer”), Pallas Capital Holding Ltd, a British Virgin Islands company incorporated on June 30, 2025 (“Pallas” or the “Target”), and the shareholders of the Target (each a “Seller” and collectively, the “Sellers”) executed an agreement and plan of securities exchange (the “Share Exchange Agreement”, and the transactions contemplated thereby, collectively, the “Pallas Transaction”), pursuant to which, the Sellers wish to sell to the Acquirer, and the Acquirer wishes to purchase from the Sellers, 100% interest in and to the ordinary shares of the Target (the “Target Shares”). In exchange for the Target Shares, the Acquirer shall issue an aggregate of 39,189,344 shares of the Company’s common stock (the “GDC Shares”) to such Sellers. On September 29, 2025, the Sellers transferred to Acquirer 10,000 shares of Target Shares, being all of the issued and outstanding ordinary shares of the Target, and received in exchange certificates representing the 39,189,344 GDC Shares. Thereafter, Pallas became a wholly-owned subsidiary of the Company.

Pallas was established for the primary purpose of holding digital assets as a long-term reserve, with the objective of achieving potential appreciation in value. As of March 31, 2026, Pallas held 7,500 units of Bitcoin.

Two shareholders of the Company, who beneficially own 12.86%, in the aggregate, of the outstanding shares of common stock of the Company, immediately before the execution of the Pallas Transaction, also serve as the directors and share voting and dispositive power over the shares issued by the Target. Accordingly, the Transaction constitutes a related party transaction for the Company pursuant to Item 404 of Regulation S-K.

Referring to Financial Accounting Standards Board (“FASB”) ASC Topic 805-10-55-5, the Company applied two steps (including step 1, screen test and step 2, evaluation of process and input) in evaluating whether the acquisition was an asset acquisition or a business combination. Pallas had no operations except for holding Bitcoin as a reserve, and substantially all of the fair value of the gross assets acquired is concentrated in its Bitcoin. Therefore, the Company decided that Pallas cannot constitute a business and such Pallas Transaction should be accounted for as an asset acquisition. The purchase consideration is measured based on the fair value of the Company’s common stock issued and the consideration is further allocated to the value of the asset acquired in the transaction. Given the related party nature of the Pallas Transaction and the fact that the acquired digital assets are highly liquid and have observable market prices, which indicated that the fair value of the assets acquired is far higher than the fair value of the common stock issued, management concluded that the such Pallas transaction indicated a capital contribution from the shareholders. Accordingly, the excess of the fair value of the digital assets acquired over the fair value of the common stock issued should be recorded as an increase in additional paid-in capital and the value of the assets acquired, which was concurrently with the determination of the value of the assets acquired under asset acquisition.

Subsidiaries of the Company

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

Name	Background	Ownership
Citi Profit BVI	<ul style="list-style-type: none">• A British Virgin Island company Incorporated in April 2019	100% owned by the Company
Highlight HK	<ul style="list-style-type: none">• A Hong Kong company• Incorporated in November 2022	100% owned by Citi Profit BVI
Highlight WFOE	<ul style="list-style-type: none">• A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE)• Incorporated in January 2023	100% owned by Highlight HK
AI Catalysis	<ul style="list-style-type: none">• A Nevada company• Incorporated in May 2023	100% owned by the Company
SH Xianzhui	<ul style="list-style-type: none">• A PRC limited liability company• Incorporated in August 2023	73.3333% owned by Highlight WFOE
Pallas	<ul style="list-style-type: none">• A British Virgin Island company• Incorporated in June 2025 and acquired on September 29, 2025	100% owned by the Company

The Company has recently begun adjusting its strategic direction and has been scaling back certain artificial intelligence-related initiatives while evaluating new opportunities to utilize its existing artificial intelligence and virtual content generation technologies. As part of this strategic transition, the Company is working on the development of a mobile and web platform for interactive fiction—story experiences where readers make choices that branch the plot and lead to multiple endings.

Liquidity and Capital Resources

As of March 31, 2026, the Company had \$16,805 in its operating bank accounts and working capital deficit of approximately \$1.7 million. From January 2026 to the date the unaudited interim condensed consolidated financial statements were available to be issued, Mr. Xiaojian Wang, the Chief Executive Officer of the Company (“CEO”), made advances of \$310,000 to the Company through a loan agreement, these advances are non-interest bearing and due on demand.

In March 2026, the CEO executed a Letter of Support in which he agreed to provide continuing financial support to the Company for a period of at least 12 months from the issuance date of the Company’s unaudited interim condensed consolidated financial statements for the three months ended March 31, 2026.

The Company expects to continue incurring significant operating cash outflows to support its operations. Additional financing may be required to sustain the business. Management will make its best efforts to secure the necessary funding to support the Company’s operations.

The Company evaluated its ability to continue as a going concern in accordance with ASC Subtopic 205-40, Presentation of Financial Statements—Going Concern, which requires management to assess whether there is substantial doubt about the Company’s ability to continue as a going concern within one year after the date the financial statements are issued. The management assessed its liquidity position and concluded that the Company will have sufficient liquidity to meet its obligations as they become due for at least the next twelve months from the date the unaudited interim condensed consolidated financial statements are issued.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are of a normal recurring nature and are necessary to fairly present the financial statements for the interim periods. The unaudited interim condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and have been prepared in accordance with the regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Results for the interim periods are not necessarily indicative of results to be expected for the full year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2025, which was filed with the SEC on March 27, 2026.

Principles of Consolidation

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

Use of Estimates and Assumptions

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

Cash and Cash Equivalents

As of March 31, 2026 and December 31, 2025, the Company did not have any cash equivalents. All cash were unrestricted as to withdrawal and use and were demand deposits placed with commercial banks.

Prepayments

Prepayments are advances paid to outside vendors for services purchases. The Company has legally binding contracts with its vendors. Once the services are received, the amounts are recognized as expenses in the unaudited interim condensed consolidated statements of operations.

Equipment

Equipment was 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:

	<u>Useful Life</u>	<u>Estimated Residual Value</u>
Office equipment and furniture	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 unaudited interim condensed consolidated statements of operations. Expenditure 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 copyright that are stated at cost, less accumulated amortization. Research and development costs associated with internally developed patents are expensed when incurred. Amortization expense is recognized on the straight-line basis over the estimated useful lives of the assets. The software copyrights have finite useful lives and are 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 copyrights, 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:

	<u>Useful Life</u>
Software copyrights	5 years

Lease

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

The Company recognizes lease liabilities and corresponding right-of-use assets on the balance sheet for leases. Operating lease right-of-use assets (the "ROU") are disclosed as non-current assets in the Company's unaudited interim condensed consolidated balance sheets. Current maturities of operating lease liabilities are classified as operating lease liabilities - current, and operating lease liabilities that will be due in more than one year are disclosed as non-current liabilities on the unaudited interim condensed 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.

The Company's lease has an initial term of 5.4 years. The Company's lease agreements did not include non-lease components. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreements do not contain any significant residual value guarantees or restricted covenants.

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

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

The Company evaluated the subleased office spaces in accordance with the provisions of ASC Topic 842, Leases ("ASC 842"). Since the Company has not been relieved as the primary obligor of the head lease, the Company cannot net the sublease income against its lease payment to calculate the lease liability and right-of-use ("ROU") asset. The Company records sub-lease income over the term of the subleases on a straight-line basis. The sublease income amounted to \$97,826 and \$nil for the three months ended March 31, 2026 and 2025, respectively, which was presented as other income on the accompanying unaudited interim condensed consolidated statements of operations and comprehensive loss.

Impairment for Long-lived Assets

The Company's determination of whether or not an indication of impairment exists at the cash generating unit level requires significant management judgment pertaining to intangible assets, including a software copyright of AI Box, which is used for online living-stream and a software copyright of Chat Box, which is used for online interactive entertainment scenarios, as well as the operating Right-of-use ("ROU") assets, including the offices of the Company. Management considers both external and internal sources of information in assessing whether there are any indications that the Company's intangible assets and ROU assets are impaired. Based on the evaluation, the Company did not recognize any impairment losses in long-lived assets for the three months ended March 31, 2026 and 2025.

Digital Assets

The Company holds digital assets primarily for investment and treasury purposes rather than for use in the ordinary course of business. Based on management's intent and expected holding period, digital assets are classified as either current or non-current assets.

In accordance with *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets*, digital assets are accounted for as intangible assets measured at fair value, with changes in fair value recognized immediately in earnings. Digital assets are initially recorded at cost, including acquisition-related fees (see Note 1). Subsequent to initial recognition, digital assets are measured at fair value at each reporting date, and unrealized gains and losses are included in the statement of operations. Upon disposal, the difference between proceeds and carrying amount is recognized as a gain or loss in earnings. The Company discloses the number of units held, cost basis, fair value, and any significant restrictions on the ability to sell or transfer digital assets in the Note 3 to the unaudited interim condensed consolidated financial statements.

Assets Acquisition

The Company evaluates each transaction to determine whether it should be accounted for as a business combination or an asset acquisition in accordance with *ASC 805, Business Combinations*. A transaction is accounted for as an asset acquisition when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, and the acquired set does not include a substantive process capable of producing outputs.

In assessing whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, the Company considers the nature of the assets, their risks and characteristics, and whether they represent a group of similar assets as defined under ASC 805-10-55-5A through 55-5C.

For transactions accounted for as asset acquisitions, the purchase consideration is measured based on the fair value of the consideration transferred, which generally consists of the fair value of equity securities or other assets issued. The acquired assets and assumed liabilities are recognized based on their relative fair values, and no goodwill is recognized.

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, other receivables, other payables and accrued liabilities to approximate their fair values because of their short-term nature.

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

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

As of March 31, 2026 and December 31, 2025, the carrying values of cash, other receivables and other payables approximate their fair values due to the short-term nature of the instruments.

General and Administrative Expenses

General and administrative expenses mainly consist of (i) staff cost, rental and depreciation related to general and administrative personnel, (ii) professional expenses.

Research and Development Expenses

Research and development expenses mainly consist of outsourced research and development expenses. Research and development expenses are expensed as incurred.

Income Taxes

The Company accounts for income taxes in accordance with U.S. GAAP. 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 are accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the unaudited interim condensed consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. For the three months ended March 31, 2026, the Company recorded \$15,901 penalty and interest related to the late filing of fiscal year 2023 and 2024 tax returns, consisting of \$5,053 interest and \$10,848 penalty. For the three months ended March 31, 2025, the Company recorded \$57,303 penalty and interest for failed filing of fiscal year 2023 and 2024 tax return timely, consisting of \$15,982 interest and \$41,321 penalty.

Interest

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

Net Loss per Common Stock

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

In May 2025, the Company issued and sold pre-funded warrants that are exercisable for shares of common stock at a nominal exercise price. In accordance with ASC 260, these prefunded warrants are considered to be common stock equivalents and are included in the calculation of basic and diluted earnings per share when the inclusion is dilutive. As the exercise price of the prefunded warrants is nominal and substantially all conditions necessary to exercise the warrants have been met, the prefunded warrants are included in the weighted average shares outstanding for both basic and diluted loss per share. As of March 31, 2026, 4,026,936 pre-funded warrants as described were outstanding.

For the three months ended March 31, 2026 and 2025, 1,260,665 and 2,312,006 of outstanding warrants (excluding the Pre-funded Warrants) which are equivalent to convertible of 1,059,277 and 2,110,618 common stocks, respectively, were excluded from the diluted loss per share calculation due to their antidilutive effect.

Comprehensive Loss

Comprehensive loss is defined as the changes in equity of the Company during a year/period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Accumulated other comprehensive income of the Company includes the foreign currency translation adjustment.

Recently Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company adopted ASU 2023-09 on a prospective basis since January 1, 2025 and the adoption has no impact on the accompanying unaudited interim condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“ASU 2024-03”) which requires detailed disclosures in the notes to financial statements disaggregating specific expense categories and certain other disclosures to provide enhanced transparency into the nature and function of expenses. The FASB further clarified the effective date in January 2025 with the issuance of ASU 2025-01, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date (“ASU 2025-01”). ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The requirements should be applied on a prospective basis while retrospective application is permitted. The Company does not expect to adopt this guidance early and does not expect the adoption of this ASU to have a material impact on its future unaudited interim condensed consolidated financial statements.

In March 2025, the FASB issued ASU 2025-05, Credit Losses (Topic 326): Simplifications to the Accounting for Short-Term Receivables and Contract Assets. The update introduces practical expedients that allow entities to simplify the estimation of expected credit losses for accounts receivable and contract assets by permitting certain assumptions regarding current conditions and expectations of future economic conditions. The amendments are intended to reduce the complexity and cost of applying the current expected credit loss model for short-term financial assets. The amendments in this update are effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on its unaudited interim condensed consolidated financial statements. The Company does not currently expect the adoption of this guidance to have a material impact on its unaudited interim condensed consolidated financial statements.

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

Note 3 – Fair Value of Financial Instruments

ASC 820, Fair Value Measurements states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The three-tiered fair value hierarchy, which prioritizes which inputs should be used in measuring fair value, is comprised of: (Level I) observable inputs such as quoted prices in active markets; (Level II) inputs other than quoted prices in active markets that are observable either directly or indirectly and (Level III) unobservable inputs for which there is little or no market data. The fair value hierarchy requires the use of observable market data when available in determining fair value. The Company's assets and liabilities that were measured at fair value on a recurring basis were as follows (in millions):

	March 31, 2026 (unaudited)				December 31, 2025			
	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III
Digital assets - current	\$ 0.07	\$ 0.07	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Digital assets – non current	501	501	—	—	663	663	—	—
Total	\$ 501	\$ 501	\$ —	\$ —	\$ 663	\$ 663	\$ —	\$ —

As of March 31, 2026, the Company held 7,500 units of Bitcoin, at cost of \$842 million, which were classified as non-current assets. These Bitcoins were originally held by Pallas and continued to be held following the Company's acquisition of Pallas. During the three months ended March 31, 2026, the Company acquired approximately 1.08 units of Bitcoin, at cost of \$100,000 for short-term trading purposes, which are classified as current assets.

In accordance with ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets, the Company accounts for its crypto assets as indefinite-lived intangible assets measured at fair value, with changes in fair value recognized in net income in each reporting period.

The fair value of Bitcoin is determined based on quoted prices in active markets. The Company does not apply amortization to digital assets. Gains and losses resulting from changes in fair value are presented within "Other (expenses) income" in the unaudited interim condensed consolidated statements of operations.

As of March 31, 2026, the fair value of the Company's Bitcoin holdings was approximately \$501 million. For the three months ended March 31, 2026 and 2025, the Company recognized a net loss of approximately \$162 million and \$nil, respectively, in the unaudited interim condensed consolidated statements of operations related to changes in the fair value of its Bitcoin holdings. There was no disposal of digital assets for the three months ended March 31, 2026 and 2025.

Note 4 – Prepayments

Prepayments consisted of the following as of March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
	(unaudited)	
Prepayments of operating lease	\$ 11,842	\$ 45,325
Prepaid research and development fee*	-	195,000
Prepaid car rental	-	75,648
Nasdaq listing fee	64,875	-
Other prepayments	8,217	15,615
Total prepayments	<u>\$ 84,934</u>	<u>\$ 331,588</u>

* On July 8, 2025, the Company executed an agreement with a contractor for service activities related to the Interactive Reading Platform, pursuant to which, the Company agreed to pay the contractor \$101,000 each month, starting from July 9, 2025, until the completion of the project or termination of this agreement. The contractor shall provide research, design and develop services in relation to an interactive reading platform.

Note 5 – Equipment, net

Equipment, net consisted of the following as of March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
	(unaudited)	
Office equipment and furniture	\$ 14,190	\$ 14,190
Subtotal	14,190	14,190
Less: accumulated depreciation	(12,319)	(10,713)
Total	<u>\$ 1,871</u>	<u>\$ 3,477</u>

Depreciation expense for the three months ended March 31, 2026 and 2025 amounted to \$1,606 and \$1,077, respectively.

Note 6 – Intangible Assets, net

Intangible assets consisted of the following as of March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
	(unaudited)	
Software	\$ 10,878,615	\$ 4,890,092
Add: purchase of software*	-	5,988,523
Subtotal	10,878,615	10,878,615
Less: accumulated amortization	(2,483,833)	(2,184,403)
Accumulated impairment	(3,603,974)	(3,603,974)
Total	<u>\$ 4,790,808</u>	<u>\$ 5,090,238</u>

* On April 28, 2025, the Company purchased one software - Chat Box, by issuance of 2,444,295 shares of the Company's common stock. Chat Box is an immersive chatbot platform centered on AI technology, specifically designed for otaku enthusiasts and interactive entertainment scenarios.

Amortization expense for the three months ended March 31, 2026 and 2025 was \$299,430 and \$62,400, respectively.

As of March 31, 2026, the net book value of software copyrights was \$4,790,808, after deducting accumulated amortization of \$2,483,833 and accumulated impairment of \$3,603,974. No impairment losses were recorded for the three months ended March 31, 2026 and 2025.

Future amortization of intangible assets is as follows:

	Amortization
Remaining of FY2026	\$ 898,278
FY2027	1,197,708
FY2028	1,197,708
FY2029	1,197,708
FY2030	299,406
Total future amortization of intangible assets	<u>\$ 4,790,808</u>

Note 7 – Other Payables and Accrued Liabilities

Other payables and accrued liabilities consisted of the following as of March 31, 2026 and December 31, 2025:

	March 31, 2026 (unaudited)	December 31, 2025
Professional service fee	\$ 633,953	\$ 345,570
Payroll	120,152	57,226
Advance from an investor ⁽¹⁾	3,027	4,771
Amounts due to a shareholder ⁽²⁾	100,000	100,000
Others	178	178
Total	<u>\$ 857,310</u>	<u>\$ 507,745</u>

(1) Includes advance from one of the warrant shareholders for the exercise of prefunded warrants.

(2) On January 23, 2025, Green Oasis Limited, which at the time held less than 5% ownership shares in the Company, provided a \$100,000 loan to the Company, for working capital purposes, with maturity as of April 23, 2025. On April 25, 2025, Green Oasis Limited and the Company extended the maturity date to July 23, 2025, which was further extended to July 23, 2026 through an amendment agreement.

Note 8 – Related Party Balances and Transactions

Other payables – related parties:

Name of related party	Relationship	Nature	March 31, 2026 (unaudited)	December 31, 2025
Xiaojian Wang	Chief Executive Officer	Accrued compensations	\$ 112,500	\$ 100,000
Xiaojian Wang	Chief Executive Officer	Interest-free advances to the Company*	310,000	-
Xiaojian Wang	Chief Executive Officer	Operating related fees paid on behalf of the Company	2,150	2,150
Zihao Zhao	Chief Finance Officer	Accrued compensations	60,833	60,833
Zihao Zhao	Chief Finance Officer	Reimbursement	2,057	2,033
Total			<u>\$ 487,540</u>	<u>\$ 165,016</u>

* The terms of these loans are disclosed in Note 1- Liquidity and Capital Resources.

Related Party Transaction

As disclosed in Note 1, the Company purchased 100% equity interest of Pallas from the Sellers, on September 29, 2025. Two shareholders of the Company, who beneficially own 12.86%, in the aggregate, of the outstanding shares of common stock of the Company, immediately before the execution of the Transaction, also serve as the directors and share voting and dispositive power over the shares issued by the Target. Accordingly, the Pallas Transaction constitutes a related party transaction for the Company pursuant to Item 404 of Regulation S-K.

As of March 31, 2026 and December 31, 2025, the balance of other payables - related parties were \$487,540 and \$165,016, respectively, mainly consisted of accrued compensation of the Company's officers, interest - free advances received from the Company's officers and operating related fees paid by the Company's officer on behalf of the Company.

For the three months ended March 31, 2026 and 2025, the Company recorded compensation expenses to its officers amounted to \$37,500 and \$20,000, respectively, for their services provided to the Company.

Note 9– Leases

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

	March 31, 2026	December 31, 2025
	(unaudited)	(unaudited)
Weighted average remaining lease term:		
Operating lease	2.83 years	3.08 years
Weighted average discount rate:		
Operating lease	7.54%	7.54%

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

	March 31, 2026	December 31, 2025
	(unaudited)	(unaudited)
Operating lease right-of-use assets, net		
Operating lease	\$ 916,711	\$ 987,988
Lease liabilities		
Current portion of operating lease liabilities	361,546	353,648
Non-current portion of operating lease liabilities	695,153	781,216
	\$ 1,056,699	\$ 1,134,864

Future lease payments under operating leases as of March 31, 2026 were as follows:

	Operating Leases
Remaining of FY2026	\$ 325,747
FY2027	401,127
FY2028	409,149
FY2029	34,605
Total lease payments	\$ 1,170,628
Less: imputed interest	113,929
Present value of lease liabilities ⁽¹⁾	<u>\$ 1,056,699</u>

(1) As of March 31, 2026, 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 \$361,546 and \$695,153, respectively.

Lease expense for all the Company's operating leases for the three months ended March 31, 2026 and 2025 were \$90,939 and \$123,492, respectively. Lease payments for all the Company's operating leases for the three months ended March 31, 2026 and 2025 were \$nil and \$164,656, respectively.

For the three months ended March 31, 2026, the Company incurred \$101,958 short-term lease expenses and the short-term lease payments were \$2,625. For the three months ended March 31, 2025, the Company incurred \$46,737 short-term lease expenses and the short-term lease payments were \$62,316.

Effective from December 1, 2025, the Company subleased partial of the lease office space to a third party for the remaining of the head lease term. Since the Company has not been relieved as the primary obligor of the head lease, the Company cannot net the sublease income against its lease payment to calculate the lease liability and right-of-use ("ROU") asset. The Company records sub-lease income over the term of the subleases on a straight-line basis.

Future sublease income under operating leases as of March 31, 2026 were as follows:

	Operating Leases
Remaining of FY2026	327,392
FY2027	400,461
FY2028	408,471
FY2029	69,209
Total sublease receivable	\$ 1,205,533
Less: imputed interest	145,524
Present value of sublease income	<u>\$ 1,060,009</u>

For the three months ended March 31, 2026 and 2025, the Company recorded sublease income of \$97,826 and \$nil respectively, as other income on the accompanying unaudited interim condensed consolidated statements of operations and comprehensive loss.

Note 10 – Equity

Common Stock

On February 10, 2025, the Company entered into an At-The-Market Issuance Sales Agreement (the "ATM Agreement") with Univest as the sales agent (the "February 2025 Offering"). Pursuant to the ATM Agreement, the Company may issue and sell from time to time, shares of its common stock having an aggregate offering price of not more than \$10,000,000 through the sales agent or any of its sub-agent(s) or other designees, acting as sales agent. Up to the date the unaudited interim condensed consolidated financial statements were issued, the Company has not issued or sold any shares under the ATM Agreement.

On March 4, 2025, the Company entered into a securities purchase agreement (the “March 2025 Securities Purchase Agreement”) with certain investors for the sale of 1,115,600 shares of common stock at \$0.896379 per share (the “March 2025 Offering”), generating net proceeds in the amount of \$910,000, after deducting underwriter’s fees of \$70,000, equal to seven percent (7%) of the aggregate gross proceeds raised in this Offering and reimbursement of \$20,000 for the underwriter’s legal counsel and due diligence analysis expense. The Company used the proceeds from the offering for working capital purposes.

On May 2, 2025, the Company entered into a securities purchase agreement (the “May 2025 Securities Purchase Agreement”) with certain investors for the sale of 1,115,600 shares of common stock at approximately \$0.524 per share and 9,380,582 pre-funded warrants (the “May 2025 Pre-Funded Warrants”) at approximately \$0.523 per warrant (the “May 2025 Offering”). As of March 31, 2026, the Company received gross proceeds of approximately \$4.5 million for subscription of 1,115,600 shares of its common stock and 7,468,536 pre-funded warrants. The offering remains ongoing and has not yet been fully completed. Transaction costs incurred through March 31, 2026 included underwriter’s fees of \$314,343 and a \$20,000 reimbursement for the underwriter’s legal counsel and due diligence expenses. The Company used the proceeds from the offering for working capital purposes.

On April 28, 2025, the Company entered into a software purchase agreement (the “Agreement”) with Gongzheng Xu and Qing Wang, who are unaffiliated with the Company at the time (collectively, the “GXQW”). Pursuant to the Agreement, the Company agreed to purchase and the GXQW agreed to sell all of GXQW’s right, title, and interest in and to the certain software (the “Chat Box”). The purchase price of the software shall be payable in the form of issuance of 2,444,295 shares of the Company’s common stock. On April 28, 2025, the Company issued 2,444,295 shares of its common stock to GXQW and the transaction was completed. The Company used the software to develop its AI business.

On September 8, 2025, the Company, Pallas and the Sellers executed the Share Exchange Agreement, pursuant to which, the Sellers wish to sell to the Acquirer, and the Acquirer wishes to purchase from the Sellers, 100% interest in and to the Target Shares. On September 29, 2025, in exchange for the Target Shares, the Company issued an aggregate of 39,189,344 shares of the Company’s common stock to such Sellers.

On October 24, 2025, the Company entered into securities purchase agreements (the “October 2025 Securities Purchase Agreement”) with certain accredited investor, pursuant to which the Company agreed to issue and sell, in a private placement (the “October 2025 Private Placement”), an aggregate of 1,333,334 shares of the Company’s common stock at a purchase price of \$2.10 per share, for gross proceeds in the amount of \$2,800,000. The Company received net proceeds of approximately \$2.5 million after deducting underwriter’s fees of \$196,000 and other offering costs of \$60,000. The Company used the proceeds from the offering for working capital purposes.

As of March 31, 2026 and December 31, 2025, the total outstanding shares of the Company’s common stock were 60,759,711 and 57,318,111, respectively.

Warrants

Prefunded Warrants

In connection with the May 2025 Offering, the Company issued 7,468,536 shares of pre-funded warrants, which is exercisable immediately.

In January 2026, holders of 3,441,600 May 2025 Pre-Funded Warrants, exercised their options to purchase 3,441,600 shares of the Company’s common stock.

As of March 31, 2026 and December 31, 2025, 4,026,936 prefunded warrants were outstanding.

The summary of warrant activities for the three months ended March 31, 2026 were as follows:

	<u>Warrants Outstanding</u>	<u>Exercisable Into Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Average Remaining Contractual Life</u>
December 31, 2025	8,729,201	8,527,813	\$ 45.79	2.23
Granted	-	-	-	-
Exercised	3,441,600	3,441,600	-	-
March 31, 2026 (unaudited)	<u>5,287,601</u>	<u>5,086,213</u>	<u>\$ 45.82</u>	<u>1.99</u>

The summary of warrant activities for the three months ended March 31, 2025 were as follows:

	<u>Warrants Outstanding</u>	<u>Exercisable Into Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Average Remaining Contractual Life</u>
December 31, 2024	2,312,006	2,110,618	\$ 29.94	3.46
Granted	-	-	-	-
Exercised	-	-	-	-
March 31, 2025 (unaudited)	<u>2,312,006</u>	<u>2,110,618</u>	<u>\$ 29.94</u>	<u>3.22</u>

Note 11 – 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 12 – Segment Reporting

In November 2023, the FASB issued ASU 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which improved the reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses enabling investors to better understand an entity’s overall performance and assess potential future cash flows. ASU 2023-07 requires entities with a single reportable segment to provide all the disclosures required by the amendments in ASU 2023-07 and all existing segment disclosures in Segment Reporting (Topic 280). ASU 2023-07 is effective for annual periods on January 1, 2024, and periods beginning on January 1, 2025. The Company adopted this standard for its 2024 annual financial statements and applied this standard retrospectively for all prior periods presented in the financial statements. ASU 2023-07 has no material impact on the Group’s unaudited interim condensed consolidated financial statements.

The Company operates and manages its business as a single segment and has one operating and reportable segment, Virtual Content Production. The Company’s Chief Executive Officer is the chief operating decision-maker (“CODM”). When making decisions about allocating resources and assessing the performance of the Company as a whole, CODM reviews operating metrics and unaudited interim condensed consolidated financial statements.

The Company concluded that consolidated net income (loss) reported in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss) is the measure of segment profitability, and consolidated total assets reported in the unaudited interim condensed consolidated balance sheets is the measure of segment assets. The CODM refers to consolidated operating results and financial condition when addressing strategic and operational matters and allocating resources. Significant expense categories regularly provided to and reviewed by the CODM are those presented in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss). As substantially all of the Company’s long-lived assets are located in the United States, and substantially all of the Company’s expenses are derived from within the United States, no geographical segments are presented.

Note 13 – Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to April 10, 2026, which is the date that the unaudited interim condensed consolidated financial statements were available to be issued. Based on this review, other than described below, the Company did not identify any subsequent event that would have required adjustment or disclosure in the unaudited interim condensed consolidated financial statements.

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

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

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

Although the forward-looking statements in this Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Overview

GD Culture Group Limited, formerly known as Code Chain New Continent Limited, is a Nevada corporation and a holding company. The Company currently conducts its operations through the Company and its subsidiary, AI Catalysis. Historically, the Company's business focused on artificial intelligence-driven digital human creation and customization as well as live streaming and e-commerce activities. The Company's current subsidiaries, Citi Profit, Highlight HK, Highlight WFOE are holding companies with no material operations. The Company's subsidiary Shanghai Xianzhui, previously engaged in marketing-related services but does not currently conduct business operations and has no material operating activities.

The Company has recently begun adjusting its strategic direction and has been scaling back certain artificial intelligence-related initiatives while evaluating new opportunities to utilize its existing artificial intelligence and virtual content generation technologies. As part of this strategic transition, the Company is expanding into the interactive reading and narrative entertainment market.

The Company is currently developing a platform intended to enable creators to produce interactive, game-like reading experiences for end users. The platform is expected to provide creators with a suite of AI-powered content creation tools developed by the Company, which are designed to assist creators in generating narrative structures, story plots, and visual assets associated with storylines. The platform is also expected to incorporate AI-driven dialogue systems designed to enable readers to interact with characters within the story environment, creating a more dynamic and immersive narrative experience.

The platform remains in the development stage, and the Company is continuing to refine its technology and product design. The Company has not yet launched the platform commercially, and there can be no assurance regarding the timing of its commercialization, market acceptance, or the Company's ability to successfully execute its strategic transition.

Recent Development

Offering

On February 10, 2025, the Company entered into an At-The-Market Issuance Sales Agreement (the “ATM Agreement”) with Univest as the sales agent (the “February 2025 Offering”). Pursuant to the ATM Agreement, the Company may issue and sell from time to time, shares of its common stock having an aggregate offering price of not more than \$10,000,000 through the sales agent or any of its sub-agent(s) or other designees, acting as sales agent. Up to the date the unaudited interim condensed consolidated financial statements were issued, the Company has not issued or sold any shares under the ATM Agreement.

On March 4, 2025, the Company entered into a securities purchase agreement (the “March 2025 Securities Purchase Agreement”) with certain investor for the sale of 1,115,600 shares of common stock at \$0.896379 per share (the “March 2025 Offering”), generating gross proceeds in the amount of \$1,000,000, before deducting underwriter’s fees and accountable expenses and other estimated expenses. The Company used the proceeds from the offering for working capital purposes. Upon closing of the March 2025 Offering, the Company paid \$90,000 cash for underwriting, which consists of a total cash fee of \$70,000, equal to seven percent (7%) of the aggregate gross proceeds raised in the March 2025 Offering and reimbursement of reasonable fees and expenses of \$20,000 for the underwriter’s legal counsel and due diligence analysis expenses.

On May 2, 2025, the Company entered into a securities purchase agreement (the “May 2025 Securities Purchase Agreement”) with certain investors for the sale of 1,115,600 shares of common stock at approximately \$0.524 per share and 9,380,582 pre-funded warrants (the “May 2025 Pre-Funded Warrants”) at approximately \$0.523 per warrant (the “May 2025 Offering”). As of March 31, 2026, The Company received approximately \$4.5 million in proceeds for subscription of 1,115,600 shares of its common stock and 7,468,536 pre-funded warrants. The offering remains ongoing and has not yet been fully completed. Transaction costs incurred through the reporting date included underwriter’s fees of \$314,343 and a \$20,000 reimbursement for the underwriter’s legal counsel and due diligence expenses. The Company used the proceeds from the offering for working capital purposes.

On May 11, 2025, the Company entered into a Common Stock Purchase Agreement with an investor, pursuant to which the Company shall have the right to require the investor to purchase, from time to time, up to a cumulative total of \$300,000,000 worth of the Company’s common stock. The Company plans to use the proceeds from the offering, if any, to invest in Bitcoin and OFFICIAL TRUMP and for general corporate purposes. The common stock will be issued and sold by the Company to the investor pursuant to a registration statement effective under the Securities Act of 1933, as amended (the “Securities Act”) or, if there is no effective registration statement registering, or no current prospectus available for the issuance of the common stock issuable pursuant to the Agreement, in reliance upon the exemptions from the registration requirements of the Securities Act afforded by Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

On October 24, 2025, the Company entered into securities purchase agreements (the “October 2025 Securities Purchase Agreement”) with certain accredited investor, pursuant to which the Company agreed to issue and sell, in a private placement (the “October 2025 Private Placement”), an aggregate of 1,333,334 shares of the Company’s common stock at a purchase price of \$2.10 per share, for gross proceeds in the amount of \$2,800,000. The Company received net proceeds of approximately \$2.5 million after deducting underwriter’s fees of \$196,000 and other offering costs of \$60,000. The Company used the proceeds for working capital and general corporate purposes.

Software Purchase Agreement

On April 28, 2025, the Company entered into a software purchase agreement (the “Agreement”) with Gongzheng Xu and Qing Wang (the “GXQW”), who are unaffiliated with the Company. Pursuant to the Agreement, the Company agreed to purchase and the GXQW agreed to sell all of GXQW’s right, title, and interest in and to the certain software (the “Chat Box”). The purchase price of the software shall be payable in the form of an issuance of 2,444,295 shares of the Company’s common stock.

On April 28, 2025, the Company issued 2,444,295 shares of its common stock to GXQW and the transaction was completed. The Company plans to use the software to develop its AI business.

Acquisition of Pallas

On September 8, 2025, the Company (the “Acquirer”), Pallas Capital Holding Ltd, a British Virgin Islands company incorporated on June 30, 2025 (“Pallas” or the “Target”), and the shareholders of the Target (each a “Seller” and collectively, the “Sellers”) executed an agreement and plan of securities exchange (the “Share Exchange Agreement”, and the transactions contemplated thereby, collectively, the “Transaction”), pursuant to which, the Sellers wish to sell to the Acquirer, and the Acquirer wishes to purchase from the Sellers, 100% interest in and to the ordinary shares of the Target (the “Target Shares”). In exchange for the Target Shares, the Acquirer shall issue an aggregate of 39,189,344 shares of the Company’s common stock (the “GDC Shares”), of the Acquirer in book entry form in such amount and to such Sellers. On September 29, 2025, the Sellers transferred to Acquirer 10,000 shares of Target Shares, being all of the issued and outstanding ordinary shares of the Target, and received in exchange certificates representing the 39,189,344 GDC Shares. Thereafter, Pallas became a wholly-owned subsidiary of the Company.

Pallas was established for the primary purpose of holding digital assets as a long-term reserve, with the objective of achieving potential appreciation in value. As of March 31, 2026, Pallas held 7,500 units of Bitcoin.

The Transaction is accounted for as an asset acquisition, as the Target’s assets primarily consist of digital assets (Bitcoin). The purchase consideration is measured based on the fair value of the Company’s common stock issued as consideration.

Two shareholders of the Company, who beneficially own approximately 12.86%, in the aggregate, of the outstanding shares of common stock of the Company, immediately before the execution of the Transaction, are the directors and share voting and dispositive power over the shares issued by the Target. Accordingly, the Transaction constitutes a related party transaction for the Company pursuant to Item 404 of Regulation S-K. Given the related party nature of the Transaction and the fact that the acquired digital assets are highly liquid and have observable market prices, management concluded that the fair value of the assets acquired is more reliably measurable than the fair value of the common stock issued as consideration.

Referring to Financial Accounting Standards Board (“FASB”) ASC Topic 805-10-55-5, the Company applied two steps (including step 1, screen test and step 2, evaluation of process and input) in evaluating whether the acquisition was an asset acquisition or a business combination. Pallas had no operations except for holding Bitcoin as a reserve, and substantially all of the fair value of the gross assets acquired is concentrated in its Bitcoin. Therefore, the Company decided that Pallas cannot constitute a business and such Pallas Transaction should be accounted for as an asset acquisition. The purchase consideration is measured based on the fair value of the Company’s common stock issued and the consideration is further allocated to the value of the asset acquired in the transaction. Given the related party nature of the Pallas Transaction and the fact that the acquired digital assets are highly liquid and have observable market prices, which indicated that the fair value of the assets acquired is far higher than the fair value of the common stock issued, management concluded that the such Pallas transaction indicated a capital contribution from the shareholders. Accordingly, the excess of the fair value of the digital assets acquired over the fair value of the common stock issued should be recorded as an increase in additional paid-in capital and the value of the assets acquired, which was concurrently with the determination of the value of the assets acquired under asset acquisition.

Key Factors that Affect Operating Results

Our results of operations are influenced by several factors related to the development of our interactive reading and narrative entertainment platform and our ongoing strategic transition.

Early-Stage Development of Our Platform

We are currently in the early stages of developing our interactive reading and narrative entertainment platform. Because the platform has not yet been commercially launched, our revenues from this business are currently limited or may be limited in the near term. Our operating results may fluctuate as we continue to refine the platform’s technology, features, and business model.

Investment in Technology and Product Development

The development of our platform requires continued investment in technology infrastructure, artificial intelligence capabilities, and product development. As a result, we expect to incur expenses related to research and development, engineering, and platform infrastructure as we continue to build and enhance the platform. The timing and magnitude of these investments may affect our operating expenses and overall financial performance.

Ability to Attract Creators and Users

The success of our platform will depend in part on our ability to attract creators who can develop interactive narrative content and to grow a base of active users who engage with such content. Our operating results may be affected by the level of creator participation, the quantity and quality of available content, and user engagement on the platform.

Monetization and Market Acceptance

Our future revenues will depend on our ability to effectively monetize the platform and achieve market acceptance of our products and services. Potential revenue streams may include platform services, content distribution, or other digital content-related activities. However, the market for interactive narrative and AI-enabled content platforms is evolving, and there can be no assurance that our platform will achieve significant user adoption or generate meaningful revenue.

Results of Operations

Three Months Ended March 31, 2026 vs. March 31, 2025

	For Three Months Ended		Change	Percentage Change
	March 31,			
	2026	2025		
General and administrative	(1,346,804)	(937,877)	(408,927)	43.6%
Research and development expense	(303,000)	-	(303,000)	(100.0)%
Loss from operations	(1,649,804)	(937,877)	(711,927)	75.9%
Other (expenses) income, net				
Interest income	-	2,118	(2,118)	(100.0)%
Unrealized loss on fair value changes of digital assets	(162,483,197)	-	(162,483,197)	(100.0)%
Sublease rental income	97,826	-	97,826	100.0%
Other (expenses) income, net	(162,385,371)	2,118	(162,387,489)	(7667020.3)%
Loss before income tax	(164,035,175)	(935,759)	(163,099,416)	(17429.6)%
Provision for income taxes	(30,818)	(41,751)	10,933	(26.2)%
Net loss	(164,065,993)	(977,510)	(163,088,483)	16684.1%
Net loss attributable to noncontrolling interest	(17)	-	(17)	(100.0)%
Net loss attributable to GD Culture Group Limited	(164,065,976)	(977,510)	(163,088,466)	16684.1%

Operating Expenses

The Company's operating expenses include general and administrative ("G&A") expenses, research and development ("R&D") expenses. G&A expenses increased by \$408,927 from \$937,877 for the three months ended March 31, 2025 to \$1,346,804 for the three months ended March 31, 2026. The increase was mainly due to the increase in the amortization of intangible assets. R&D expenses increased to \$303,000 for the three months ended March 31, 2026, compared to \$nil for the three months ended March 31, 2025. The increase was mainly due to the Company increased inputs on research and development about its interactive fiction—story platform.

Other (Expenses) Income, Net

The Company's other expenses increased to \$162,385,371 during the three months ended March 31, 2026, compared to other income of \$2,118 for the three months ended March 31, 2025. The increase was mainly due to the unrealized loss on fair value changes of digital assets for the three months ended March 31, 2026.

Net Loss

The Company's net loss increased by approximately \$163.1 million, or 16684.1%, to approximately \$164.1 million, for the three months ended March 31, 2026, from \$977,510 for the three months ended March 31, 2025. The increase was primarily driven by the unrealized loss on fair value changes of digital assets as discussed above.

Liquidity and Capital Resources

As of March 31, 2026, the Company had \$16,805 in its operating bank accounts and working capital deficit of approximately \$1.7 million.

From January 2026 to the date the unaudited interim condensed consolidated financial statements were available to be issued, Mr. Xiaojian Wang, the Chief Executive Officer of the Company ("CEO"), made advances of \$310,000 to the Company through, these advances are non-interest bearing and due on demand.

In March 2026, the CEO executed a Letter of Support in which he agreed to provide continuing financial support to the Company for a period of at least 12 months from the issuance date of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2026.

The Company expects to continue incurring significant operating cash outflows to support its operations. Additional financing may be required to sustain the business. Management will make its best efforts to secure the necessary funding to support the Company's operations.

The Company evaluated its ability to continue as a going concern in accordance with ASC Subtopic 205-40, Presentation of Financial Statements—Going Concern, which requires management to assess whether there is substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. The management assessed its liquidity position and concluded that the Company will have sufficient liquidity to meet its obligations as they become due for at least the next twelve months from the date the unaudited interim condensed consolidated financial statements are issued.

The following summarizes the key components of the Company's cash flows for the three months ended March 31, 2026 and 2025.

	For the Three Months Ended March 31,	
	2026	2025
Net cash used in operating activities	\$ (649,250)	\$ (831,308)
Net cash used in investing activities	(100,000)	-
Net cash provided by financing activities	310,000	860,000
Effect of exchange rate change on cash and cash equivalents	14	6
Net change in cash and cash equivalents	<u>\$ (439,236)</u>	<u>\$ 28,698</u>

Operating activities

Net cash used in operating activities was approximately \$0.6 million for the three months ended March 31, 2026, as compared to approximately \$0.8 million net cash used in operating activities for the three months ended March 31, 2025. Net loss for the three months ended March 31, 2026 was approximately \$164.1 million, as compared to approximately \$1.0 million for the three months ended March 31, 2025. Adjustments to reconcile net loss to net cash used in operating activities increased by approximately \$162.8 million, mainly due to the increased unrealized loss on fair value changes of digital assets and amortization of intangible assets, and changes in operating assets and liabilities increased approximately \$0.5 million.

Investing activities

Net cash used in investing activities was \$100,000 for the three months ended March 31, 2026, as compared to \$nil for the three months ended March 31, 2025. The increase in net cash used in investing activities was due to the purchase of digital assets for the three months ended March 31, 2026.

Financing activities

Net cash provided by financing activities was approximately \$0.3 million for the three months ended March 31, 2026, as compared to approximately \$0.9 million for the three months ended March 31, 2025. The decrease in cash flow from financing activities primarily due to the absence of funds from share issuance, partially offset by the proceeds from a related party.

Critical Accounting Policies and Estimates

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

The Company identified the following critical accounting estimates.

Impairment of long-lived assets

The Company's determination of whether or not an indication of impairment exists at the cash generating unit level requires significant management judgment pertaining to intangible assets, including a software copyright of AI Box, which is used for online living-stream and a software copyright of Chat Box, which is used for online interactive entertainment scenarios, as well as the operating Right-of-use ("ROU") assets, including the offices of the Company. Management considers both external and internal sources of information in assessing whether there are any indications that the Company's intangible assets and ROU assets are impaired. For the three months ended March 31, 2026 and 2025, the Company did not recognize any impairment losses in long-lived assets.

Digital assets

The Company holds digital assets primarily for investment and treasury purposes rather than for use in the ordinary course of business. Based on management's intent and expected holding period, digital assets are classified as either current or non-current assets.

In accordance with *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets*, digital assets are accounted for as intangible assets measured at fair value, with changes in fair value recognized immediately in earnings. Digital assets are initially recorded at cost, including acquisition-related fees (see Note 1). Subsequent to initial recognition, digital assets are measured at fair value at each reporting date, and unrealized gains and losses are included in the statement of operations. Upon disposal, the difference between proceeds and carrying amount is recognized as a gain or loss in earnings. The Company discloses the number of units held, cost basis, fair value, and any significant restrictions on the ability to sell or transfer digital assets in the Note 3 to the unaudited interim condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09)*, which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company adopted ASU 2023-09 on a prospective basis for the 2025 annual reporting period since January 1, 2025 and the adoption has no impact on the accompanying unaudited interim condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("ASU 2024-03")* which requires detailed disclosures in the notes to financial statements disaggregating specific expense categories and certain other disclosures to provide enhanced transparency into the nature and function of expenses. The FASB further clarified the effective date in January 2025 with the issuance of ASU 2025-01, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date ("ASU 2025-01")*. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The requirements should be applied on a prospective basis while retrospective application is permitted. The Company does not expect to adopt this guidance early and does not expect the adoption of this ASU to have a material impact on its future unaudited interim condensed consolidated financial statements.

In March 2025, the FASB issued ASU 2025-05, Credit Losses (Topic 326): Simplifications to the Accounting for Short-Term Receivables and Contract Assets. The update introduces practical expedients that allow entities to simplify the estimation of expected credit losses for accounts receivable and contract assets by permitting certain assumptions regarding current conditions and expectations of future economic conditions. The amendments are intended to reduce the complexity and cost of applying the current expected credit loss model for short-term financial assets. The amendments in this update are effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on its unaudited interim condensed consolidated financial statements. The Company does not currently expect the adoption of this guidance to have a material impact on its unaudited interim condensed 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 unaudited interim condensed consolidated balance sheets, statements of operations and comprehensive loss and statements of cash flows.

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

As of March 31, 2026, the Company had \$16,805 cash in its operating bank accounts and working capital deficit of approximately \$1.7 million. From January 2026 to the date the unaudited interim condensed consolidated financial statements were available to be issued, Mr. Xiaojian Wang, the Chief Executive Officer of the Company ("CEO"), made advances of \$310,000 to the Company through, these advances are non-interest bearing and due on demand.

In March 2026, the CEO executed a Letter of Support in which he agreed to provide continuing financial support to the Company for a period of at least 12 months from the issuance date of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2026.

After considering the impact of this financing and the Company's projected operating cash flows, management reassessed its liquidity position and concluded that the Company will have sufficient liquidity to meet its obligations as they become due for at least the next twelve months from the date the unaudited interim condensed consolidated financial statements are issued. The Company also intends to raise additional debt or equity capital to fund future operations. There is no assurance that the Company will be able to obtain sufficient additional funds when needed or that such funds, if available, will be obtainable on terms satisfactory to the Company. In addition, the Company has planned and implemented cost-cutting measures to reduce operating expenditures and loss. Management believes that the Company can adjust the pace of its business development and control operating expenses when necessary.

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.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer, President and Chief Financial Officer (the “Certifying Officers”), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Report.

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the information included in this Quarterly Report on Form 10-Q and the risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 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, 2025. 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

Two shareholders previously acquired from the Company certain securities, including shares of common stock and certain pre-funded warrants pursuant to securities purchase agreements by and between the Company and such shareholders dated May 2, 2025 exercised pre-funded warrants to receive 1,697,600 shares of common stock and 1,744,000 shares of common stock, respectively, pursuant to Exercise Notices delivered to the Company, dated January 29, 2026 and January 30, 2026, respectively. Full consideration of the pre-funded warrants, including the “pre-funded” exercise price was given by the shareholders to the Company on or before May 5, 2025, the closing date of such offering.

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 Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on April 10, 2026.

GD CULTURE GROUP LIMITED

Date: April 10, 2026

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

Date: April 10, 2026

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

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

I, Xiao Jian Wang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2026 of GD Culture Group Limited.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 10, 2026

By: /s/ Xiao Jian Wang

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

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

I, Zihao Zhao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2026 of GD Culture Group Limited.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 10, 2026

By: /s/ Zihao Zhao

Zihao Zhao
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

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

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

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited. (the “Company”) for the quarterly period ended March 31, 2026 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 10, 2026

By: /s/ Xiao Jian Wang

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

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

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

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

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited (the "Company") for the quarterly period ended March 31, 2026 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 10, 2026

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.