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 June 30, 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	**47-3709051**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
111 Town Square Place, Suite #1203 Jersey City, NJ	**07310**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of August 14, 2026, there were 4,162,500 shares of the Company's common stock issued and outstanding.

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CAUTIONARY NOTE REGARDING

FORWARD-LOOKING STATEMENTS

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

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

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties, including those described in Item 1A "Risk Factors" of our Annual Report 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
Index to unaudited interim condensed consolidated financial statements

GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2026 (unaudited)	December 31, 2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,219,580	$ 456,041
Other receivables, net	21,486,599	41,803
Prepayments	9,059,363	331,588
Total current assets	37,765,542	829,432
EQUIPMENT, NET	776	3,477
RIGHT-OF-USE ASSETS, NET	844,000	987,988
OTHER ASSETS		
Intangible assets, net	10,341,378	5,090,238
Other assets	250,740	250,740
Digital assets	451,232,439	662,996,878
Total other assets	461,824,557	668,337,856
Total assets	$ 500,434,875	$ 670,158,753
LIABILITIES AND SHAREHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Other payables and accrued liabilities	$ 608,015	$ 507,745
Other payables - related parties	16,746	165,016
Lease liabilities - current	371,885	353,648
Income tax payable	203,489	187,995
Total current liabilities	1,200,135	1,214,404
OTHER LIABILITIES		
Lease liabilities – non-current	607,512	781,216
Loan from a shareholder – non-current	100,000	-
Deferred tax liabilities	19,199	20,988
Total other liabilities	726,711	802,204
Total liabilities	1,926,846	2,016,608
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS’ EQUITY		
Preferred stock, $0.0001 par value, 4,000,000 shares authorized, no shares issued and outstanding as of June 30, 2026 and December 31, 2025[1]	-	-
Common stock, $0.0001 par value, 40,000,000 shares authorized, 4,162,500 and 229,278 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively [1]	416	23
Additional paid-in capital [1]	984,365,735	937,776,239
Accumulated deficit	(486,295,107)	(270,071,082)
Accumulated other comprehensive income	152,654	152,627
Total GD Culture Group Limited shareholders’ equity	498,223,698	667,857,807
Noncontrolling interest	284,331	284,338
Total shareholders’ equity	498,508,029	668,142,145
Total liabilities and shareholders’ equity	$ 500,434,875	$ 670,158,753

(1) On June 29, 2026, the Company effected a 1-for-250 reverse stock split. All share and per share amounts presented in these unaudited interim condensed consolidated financial statements have been retroactively adjusted to give effect to the reverse stock split.

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 June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
OPERATING EXPENSES				
Selling and Marketing expenses	$ (1,000,000)	$ (300,000)	$ (1,000,000)	$ (300,000)
General and administrative expenses	(1,296,954)	(1,022,730)	(2,643,758)	(1,960,607)
Research and development expenses	(553,000)	(233,333)	(856,000)	(233,333)
TOTAL OPERATING EXPENSES	(2,849,954)	(1,556,063)	(4,499,758)	(2,493,940)
LOSS FROM OPERATIONS	(2,849,954)	(1,556,063)	(4,499,758)	(2,493,940)
OTHER (EXPENSE) INCOME				
Interest income	-	2,179	-	4,297
Unrealized loss on fair value changes of digital assets	(49,281,243)	-	(211,764,440)	-
Realized loss on fair value changes of digital assets	(28,799)	-	(28,799)	-
Sublease income	-	-	97,826	-
TOTAL (EXPENSE) INCOME	(49,310,042)	2,179	(211,695,413)	4,297
LOSS BEFORE INCOME TAXES	(52,159,996)	(1,553,884)	(216,195,171)	(2,489,643)
LESS: INCOME TAX (EXPENSES) BENEFITS	1,947	54,830	(28,871)	13,079
NET LOSS	$ (52,158,049)	$ (1,499,054)	$ (216,224,042)	$ (2,476,564)
Net loss attributable to noncontrolling interest	-	-	(17)	-
Net loss attributable to shareholders of common stock	(52,158,049)	(1,499,054)	(216,224,025)	(2,476,564)
OTHER COMPREHENSIVE INCOME				
- Foreign currency translation adjustment	23	18	37	24
OTHER COMPREHENSIVE INCOME, net of tax	23	18	37	24
COMPREHENSIVE LOSS, net of tax	$ (52,158,026)	$ (1,499,036)	$ (216,224,005)	$ (2,476,540)
Comprehensive (loss) income attributable to noncontrolling interest	6	5	(7)	7
Comprehensive loss attributable to shareholders of common stock	(52,158,032)	(1,499,041)	(216,223,998)	(2,476,547)
WEIGHTED AVERAGE NUMBER OF COMMON STOCKS				
Basic and diluted [1]	977,363	79,080	620,243	62,661
Loss per share available to common shareholders				
Basic and diluted [1]	$ (53.4)	$ (19.0)	$ (348.6)	$ (39.5)

(1) On June 29, 2026, the Company effected a 1-for-250 reverse stock split. All share and per share amounts presented in these unaudited interim condensed consolidated financial statements have been retroactively adjusted to give effect to the reverse stock split.

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 and six months ended June 30, 2026

	Attributable to GD Culture Group Limited Shareholders									
	Preferred Stock (1)		Common Stock (1)		Additional Paid-in Capital (1)	Accumulated Deficit	Accumulated Other Comprehensive Income	Total GD Culture Group Limited Shareholders' Equity	Non controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance, January 1, 2026	**-**	**$ -**	**229,278**	**$ 23**	**$937,776,239**	**$(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	-	-	13,767	1	1,743	-	-	1,744	-	1,744
Foreign currency translation	-	-	-	-	-	-	10	10	4	14
Balance, March 31, 2026 (Unaudited)	**-**	**$ -**	**243,045**	**$ 24**	**$937,777,982**	**$(434,137,058)**	**$ 152,637**	**$ 503,793,585**	**$ 284,325**	**$ 504,077,910**
Net loss	-	-	-	-	-	(52,158,049)	-	(52,158,049)	-	(52,158,049)
Issuance of common stock for cash	-	-	3,919,455	392	46,587,753	-	-	46,588,145	-	46,588,145
Foreign currency translation	-	-	-	-	-	-	17	17	6	23
Balance, June 30, 2026 (Unaudited)	**-**	**$ -**	**4,162,500**	**$ 416**	**$984,365,735**	**$(486,295,107)**	**$ 152,654**	**$ 498,223,698**	**$ 284,331**	**$ 498,508,029**

(1) On June 29, 2026, the Company effected a 1-for-250 reverse stock split. All share and per share amounts presented in these unaudited interim condensed consolidated financial statements have been retroactively adjusted to give effect to the reverse stock split.

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GD CULTURE GROUP LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the three and six months ended June 30, 2025

	Attributable to GD Culture Group Limited Shareholders										
	Preferred Stock [1]		Common Stock [1]								
	Shares	Amount	Shares	Amount	Additional Paid-in Capital [1]	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total GD Culture Group Limited Shareholders' (Deficit)/Equity	Non controlling Interest	Total Shareholders' Equity (Deficit)
Balance, January 1, 2025	**-**	**$ -**	**44,676**	**$ 4**	**$ 82,760,088**	**$ -**	**$ (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	-	-	4,462	1	909,999	-	-	-	910,000	-	910,000
Foreign currency translation	-	-	-	-	-	-	-	4	4	2	6
Balance, March 31, 2025 (unaudited)	**-**	**$ -**	**49,138**	**$ 5**	**$ 83,670,087**	**$ -**	**$ (84,171,896)**	**$ 152,589**	**$ (349,215)**	**$ 284,354**	**$ (64,861)**
Net loss	-	-	-	-	-	-	(1,499,054)	-	(1,499,054)	-	(1,499,054)
Issuance of common stock for cash	-	-	4,462	-	541,050	-	-	-	541,050	-	541,050
Issuance of prefunded warrants for cash	-	-	-	-	3,615,226	(17,390)	-	-	3,597,836	-	3,597,836
Exercise of November 2023 Registered Warrants	-	-	3,811	-	-	-	-	-	-	-	-
Issuance of common stock for acquisition of certain software	-	-	9,777	1	5,988,522	-	-	-	5,988,523	-	5,988,523
Foreign currency translation	-	-	-	-	-	-	-	13	13	5	18
Balance, June 30, 2025 (unaudited)	**-**	**$ -**	**67,188**	**$ 6**	**$ 93,814,885**	**$ (17,390)**	**$ (85,670,950)**	**$ 152,602**	**$ 8,279,153**	**$ 284,359**	**$ 8,563,512**

(1) On June 29, 2026, the Company effected a 1-for-250 reverse stock split. All share and per share amounts presented in these unaudited interim condensed consolidated financial statements have been retroactively adjusted to give effect to the reverse stock split.

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 six months ended June 30,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (216,224,042)	$ (2,476,564)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of equipment	2,701	2,152
Amortization of intangible assets	748,860	424,227
Amortization of right-of-use assets	143,988	206,824
Unrealized loss on fair value changes of digital assets	211,764,440	-
Realized loss on fair value changes of digital assets	28,799	-
Deferred income tax	(1,789)	(153,911)
Changes in operating assets and liabilities		
Other receivables	9,194	-
Prepayments	(8,727,775)	(1,389,522)
Other payables and accrued liabilities	202,013	(245,963)
Lease liabilities	(155,467)	(268,607)
Taxes payable	15,494	140,832
Other payables - related parties	(148,270)	51,558
Net cash used in operating activities	(12,341,854)	(3,708,974)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of digital assets	(100,000)	-
Proceeds from disposal of digital assets	71,201	
Purchase of intangible assets	(6,000,000)	
Net cash used in investing activities	(6,028,799)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	25,134,155	1,451,050
Proceeds from issuance of prefunded warrants	-	3,602,607
Proceeds from related party loans	310,000	50,000
Proceeds from shareholder loan	-	100,000
Repayments to a related party	(310,000)	(399,485)
Net cash provided by financing activities	25,134,155	4,804,172
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	37	24
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,763,539	1,095,222
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	456,041	22,538
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 7,219,580	$ 1,117,760
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	$ 15,166	$ -
Cash paid for interest	$ -	$ -
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES		
Exercise of May 2025 pre-funded warrants	$ 1,744	$ -
Issuance of common stock for acquisition right, title, and interest in and to the certain software	$ -	$ 5,988,523
Exercise of November 2023 Registered Warrants	$ -	$ 95
Subscription proceeds due from underwriter	$ 21,453,990	$ -

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

Note 1 – Nature of Business and Organization

GD Culture Group Limited (“GDC” or the “Company”), 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”). The Company’s business focused on artificial intelligence-related initiatives using its existing artificial intelligence and virtual content generation technologies. In May and June 2026, the Company purchased two software – Fato and Fictoiv, at a price of $3.0 million each. Fato is an interactive storytelling application that allows users to influence the storyline through in-app choices, resulting in multiple possible narrative outcomes. Fictoiv is an AI-powered visual novel creation tool that enables users to create interactive visual novels with AI-generated content and branching storylines. The platform operates on a bring-your-own-key (BYOK) model, with project data stored locally on users’ devices

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 Investment Holding Limited (“Citi Profit BVI”)	● A British Virgin Island company Incorporated in April 2019	100% owned by the Company
Highlights Culture Holding Co., Limited (“Highlight HK”)	● A Hong Kong company ● Incorporated in November 2022	100% owned by Citi Profit BVI
Shanghai Highlight Entertainment Co., Ltd. (“Highlight WFOE”)	● A PRC limited liability company and deemed a wholly foreign owned enterprise (WFOE) ● Incorporated in January 2023	100% owned by Highlight HK
AI Catalysis	● A Nevada company ● Incorporated in May 2023	100% owned by the Company
Shanghai Xianzhui Technology Co., Ltd. (“SH Xianzhui”)	● A PRC limited liability company ● Incorporated in August 2023	73.3333% owned by Highlight WFOE
Pallas Capital Holding Ltd (“Pallas”)	● A British Virgin Island company Incorporated in June 2025 and acquired on September 29, 2025	100% owned by the Company

Liquidity and Capital Resources

As of June 30, 2026, the Company had $7,219,580 in its operating bank accounts and working capital of approximately $36.6 million. The Company has incurred significant losses from operations and had an accumulated deficit of approximately $486 million as of June 30, 2026. The Company has historically financed its operations and liquidity needs primarily through equity financings and other capital-raising activities, including proceeds from its at-the-market offerings and other public offerings.

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 has 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.

Reverse Stock Split

On June 29, 2026, the Company effected a 1-for-250 reverse stock split (“Reverse Split”) of its authorized, issued and outstanding shares of preferred stock and common stock. The Reverse Split did not change the par value of the Company’s preferred stock and common stock. All references in these consolidated financial statements to stock, stock prices, exercise prices, and other per share information in all periods have been adjusted, on a retroactive basis, to reflect the Reverse Split (see Note 11, “Stockholders’ Equity and Stock-Based Compensation – Reverse Stock Split”).

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 June 30, 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:

	Useful Life	Estimated Residual Value
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:

	Useful Life
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 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 $0 and $97,826, respectively, for the three and six months ended June 30, 2026, 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 indicators of impairment exist requires significant management judgment with respect to its long-lived assets, including intangible assets and operating right-of-use ("ROU") assets. The Company's intangible assets primarily include software copyrights, including AI Box, which was previously used for online live-streaming, Chat Box, which is used for online interactive entertainment scenarios, and Fato and Fictoiv, which were newly acquired during 2026. Management considers both external and internal sources of information, including changes in the intended use of the assets, current and expected operating performance, and changes in the Company's business strategy, in assessing whether impairment indicators exist.

The software copyright of AI Box was impaired during the fourth quarter of 2025. Chat Box continues to be used in the Company's current business operations and is consistent with the Company's current business direction. Based on management's evaluation, the Company did not identify any impairment indicators related to Chat Box, Fato, Fictoiv or its operating ROU assets as of June 30, 2026. Accordingly, the Company did not recognize any impairment losses on its long-lived assets for the three and six months ended June 30, 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. 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.

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 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 June 30, 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, and rental related to general and administrative personnel, (ii) professional expenses and (iii) amortization of intangible assets.

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 and six months ended June 30, 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 June 30, 2025, the Company recorded $7,428 penalty and interest for failed filing the tax return timely, consisting of $3,341 interest and $4,087 penalty. For the six months ended June 30, 2025, the Company recorded $64,731 penalty and interest for failed filing the tax return timely, consisting of $19,323 interest and $45,408 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 June 30, 2026, 16,108 pre-funded warrants as described were outstanding.

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 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.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements, which clarifies the applicability of interim reporting guidance, consolidates interim disclosure requirements within Topic 270, and establishes a disclosure principle for material events and changes occurring since the end of the most recent fiscal year. The amendments are effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendments modernize the accounting for internal-use software costs by removing references to software development project stages and introducing new criteria for determining when software development costs should be capitalized, including consideration of significant development uncertainty. The amendments are effective for annual reporting periods beginning after December 15, 2027, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's unaudited interim condensed consolidated balance sheets, unaudited 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):

	June 30, 2026 (unaudited)				December 31, 2025			
	Fair Value	**Level I**	**Level II**	**Level III**	**Fair Value**	**Level I**	**Level II**	**Level III**
Digital assets – non current	451	451	—	—	663	663	—	—
Total	$ 451	$ 451	**$** —	**$** —	$ 663	$ 663	**$** —	**$** —

As of June 30, 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 six months ended June 30, 2026, the Company acquired approximately 1.08 units of Bitcoin, at cost of $100,000 for short-term trading purposes. During the same period, the Company disposed of all such Bitcoin for cash proceeds of US$71,201, recognized a realized loss of US$28,799 on the sale, and held no Bitcoin acquired for short-term trading purposes as of June 30, 2026.

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 June 30, 2026, the fair value of the Company's Bitcoin holdings was approximately $451 million. For the three and six months ended June 30, 2026, the Company recognized a net loss of approximately $49 million and $212 million, respectively, in the unaudited interim condensed consolidated statements of operations related to changes in the fair value of its Bitcoin holdings. For the six months ended June 30, 2025, the Company did not recognize any net loss in the unaudited interim condensed consolidated statements of operations related to changes in the fair value of its Bitcoin holdings.

Note 4 – Other receivables, net

Other receivables, net consisted of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026 (unaudited)	December 31, 2025
Subscription proceeds due from underwriter *	$ 21,453,990	$ -
Sublease rental receivable	32,609	32,609
lease deposit	-	9,194
Total other receivables, net	**$ 21,486,599**	**$ 41,803**

* Represents the subscription proceeds that were held in the brokerage account of the underwriter as of June 30, 2026 (see Note 11). Immediately subsequent to June 30, 2026, the Company received these proceeds in full from the brokerage account.

Note 5 – Prepayments

Prepayments consisted of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026 (unaudited)	December 31, 2025
Prepayments of research and development expenses	$ 6,000,000	$ 195,000
Prepayments of marketing expenses	3,000,000	-
Prepayments of operating lease	2,625	45,325
Prepaid car rental	-	75,648
Nasdaq listing fee	43,250	-
Other prepayments	13,488	15,615
Total prepayments	**$ 9,059,363**	**$ 331,588**

As of June 30, 2026, the Company had $6.0 million in prepayments for maintenance, upgrades and development services related to Fictoiv, which are being amortized over the 12-month service period ending June 2027. The Company also had $3.0 million in prepayments for digital marketing services, which are being amortized over the service period from May through December 2026. The marketing services primarily consist of promotional content development, online advertising and marketing, and market research and analysis.

Note 6 – Equipment, net

Equipment, net consisted of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026 (unaudited)	December 31, 2025
Office equipment and furniture	$ 14,190	$ 14,190
Subtotal	14,190	14,190
Less: accumulated depreciation	(13,414)	(10,713)
Total	$ 776	$ 3,477

Depreciation expense for the three months ended June 30, 2026 and 2025 amounted to $1,095 and $1,075, respectively. Depreciation expense for the six months ended June 30, 2026 and 2025 amounted to $2,701 and $2,152, respectively.

Note 7 – Intangible Assets, net

Intangible assets consisted of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026 (unaudited)	December 31, 2025
Software	$ 10,878,615	$ 4,890,092
Add: purchase of software*	6,000,000	5,988,523
Subtotal	16,878,615	10,878,615
Less: accumulated amortization	(2,933,263)	(2,184,403)
Accumulated impairment	(3,603,974)	(3,603,974)
Total	$ 10,341,378	$ 5,090,238

* In May and June 2026, the Company purchased two software – Fato and Fictoiv, at a price of $3.0 million each. Fato is an interactive storytelling application that allows users to influence the storyline through in-app choices, resulting in multiple possible narrative outcomes. Fictoiv is an AI-powered visual novel creation tool that enables users to create interactive visual novels with AI-generated content and branching storylines. The platform operates on a bring-your-own-key (BYOK) model, with project data stored locally on users' devices.

Amortization expense for the three months ended June 30, 2026 and 2025 was $449,430 and $361,827, respectively. Amortization expense for the six months ended June 30, 2026 and 2025 was $748,860 and $424,227, respectively.

As of June 30, 2026, the net book value of software copyrights was $10,341,378, after deducting accumulated amortization of $2,933,263 and accumulated impairment of $3,603,974. No impairment losses were recorded for the three and six months ended June 30, 2026 and 2025.

Future amortization of intangible assets is as follows:

	Amortization
Remaining of FY2026	$ 1,198,854
FY2027	2,397,708
FY2028	2,397,708
FY2029	2,397,708
FY2030	1,499,400
Beyond FY2030	450,000
Total future amortization of intangible assets	**$ 10,341,378**

Note 8 – Other Payables and Accrued Liabilities

Other payables and accrued liabilities consisted of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026 (unaudited)	December 31, 2025
Professional service fee	$ 584,050	$ 345,570
Payroll	16,847	57,226
Advance from an investor (1)	3,027	4,771
Amounts due to a shareholder (2)	-	100,000
Others	4,091	178
Total	**$ 608,015**	**$ 507,745**

(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 an interest-free loan of $100,000 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. In July 2026 the loan was further extended to July 24, 2028 through an amendment agreement, and was reclassified in loan from a shareholder – non-current.

Note 9 – Related Party Balances and Transactions

Other payables – related parties:

Name of related party	Relationship	Nature	June 30, 2026 (unaudited)	December 31, 2025
Xiaojian Wang	Chief Executive Officer	Accrued compensations	$ 12,500	$ 100,000
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
Zihao Zhao	Chief Finance Officer	Reimbursement	2,096	2,033
Total			**$ 16,746**	**$ 165,016**

Related Party Transaction

In January 2026, 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 May and June 2026, the Company fully repaid such advances, and there was no outstanding as of June 30, 2026.

As of June 30, 2026 and December 31, 2025, the balance of other payables - related parties were $16,746 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 June 30, 2026 and 2025, the Company recorded compensation expenses to its officers amounted to $37,500 and $32,036, respectively, for their services provided to the Company. For the six months ended June 30, 2026 and 2025, the Company recorded compensation expenses to its officers amounted to $75,000 and $52,036, respectively, for their services provided to the Company.

Note 10 – 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.

	June 30, 2026 (unaudited)	December 31, 2025
Weighted average remaining lease term:		
Operating lease	2.58 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:

	June 30, 2026 (unaudited)	December 31, 2025
Operating lease right-of-use assets, net		
Operating lease	$ 844,000	$ 987,988
Lease liabilities		
Current portion of operating lease liabilities	371,885	353,648
Non-current portion of operating lease liabilities	607,512	781,216
	$ 979,397	$ 1,134,864

Future lease payments under operating leases as of June 30, 2026 were as follows:

	Operating Leases
Remaining of FY2026	$ 230,218
FY2027	401,127
FY2028	409,149
FY2029	34,605
Total lease payments	$ 1,075,099
Less: imputed interest	95,702
Present value of lease liabilities (1)	$ 979,397

(1) As of June 30, 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 $371,885 and $607,512, respectively.

Lease expense for all the Company's operating leases for the three months ended June 30, 2026 and 2025 were $97,827 and $118,524, respectively. Lease payments for all the Company's operating leases for the three months ended June 30, 2026 and 2025 were $97,827 and $155,461, respectively. Lease expense for all the Company's operating leases for the six months ended June 30, 2026 and 2025 were $188,766 and $242,016, respectively. Lease payments for all the Company's operating leases for the six months ended June 30, 2026 and 2025 were $97,827 and $320,117, respectively.

For the three months ended June 30, 2026 and 2025, the Company incurred $17,092 and $120,885 short-term lease expenses and the short-term lease payments were $7,875 and $273,740, respectively. For the six months ended June 30, 2026 and 2025, the Company incurred $119,050 and $167,622 short-term lease expenses and the short-term lease payments were $10,500 and $336,056, respectively.

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.

During the three months ended March 31, 2026, the Company recognized sublease income in accordance with the terms of the sublease agreement. Subsequent to the filing of the Company's Quarterly Report for the three months ended March 31, 2026, the sublease agreement was terminated in April 2026. Following the termination of the sublease, the Company resumed making rental payments directly to the landlord under the head lease for the remainder of the lease term.

For the three and six months ended June 30, 2026, the Company recorded sublease income of $0 and $97,826, respectively, as other income on the accompanying unaudited interim condensed consolidated statements of operations and comprehensive loss. For the three and six months ended June 30, 2025, the Company did no have any sublease income.

Note 11 – Equity

Reverse Stock Split

At the Company's annual shareholder meeting held on December 31, 2025, the Company's shareholders approved a reverse stock split of the authorized and unauthorized capital stock of the Company, at a ratio ranging between 1-for-2 and 1-for-250, with the exact ratio to be determined by the board of directors of the Company (the "Board") in its sole discretion, to be effected at any time prior to the one-year anniversary of the date of such stockholders' approval.

On June 16, 2026, The Board approved effecting a 1-for-250 reverse stock split and authorized the filing of a Certificate of Change with the Secretary of State of Nevada. The Reverse Split became effective in accordance with the terms of the Certificate of Change on June 29, 2026. The Certificate of Change did not change the par value of common stock. As a result of the Reverse Split, the reduction in the aggregate par value of the Company's issued and outstanding common stock was reclassified from common stock to additional paid-in capital. All references in these financial statements to shares, share prices, exercise prices, and other per share information in all periods have been adjusted, on a retroactive basis, to reflect the Reverse Split. The Reverse Split had no impact on the Company's total stockholders' equity.

In connection with the Reverse Split, the Company's outstanding warrants were proportionately adjusted on a 1-for-250 basis. Accordingly, the number of shares of common stock underlying the warrants and the related exercise prices were adjusted to reflect the Reverse Split. Following such adjustments, each warrant continues to be exercisable for one share of the Company's common stock.

Common Stock

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 4,462 shares of common stock at $224.09 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 4,462 shares of common stock at approximately $131 per share and 37,523 pre-funded warrants (the "May 2025 Pre-Funded Warrants") at approximately $130.75 per warrant (the "May 2025 Offering"). As of June 30, 2026, the Company received gross proceeds of approximately $4.5 million for subscription of 4,462 shares of its common stock and 29,875 pre-funded warrants. The offering remains ongoing and has not yet been fully completed. Transaction costs incurred through June 30, 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 9,777 shares of the Company's common stock. On April 28, 2025, the Company issued 9,777 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 156,757 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 5,333 shares of the Company's common stock at a purchase price of $525 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.

On April 28, 2026, the Company entered into an At-The-Market Issuance Sales Agreement (the "April 2026 Sales Agreement") with the underwriter, under which the Company may issue and sell from time to time, shares of its common stock, having an aggregate offering price of not more than $300,000,000 through the underwriter (the "April 2026 At-the-Market Offering"). From May to June, 2026, the Company sold 2,882,249 shares of common stock in the April 2026 At-the-Market Offering, at the average offering price of approximately $15.6 per share, for aggregated net proceeds of approximately $42 million, after deducting placement agent fees and the estimated offering expenses payable by the Company. As of June 30, 2026, the Company received approximately $20.2 million under the April 2026 At-the-Market Offering, with the remaining of approximately $21.5 million held in a brokerage account of the underwriter. Immediately subsequent to June 30, 2026, the Company received the $21.5 million proceeds in full from the brokerage account.

On June 24, 2026, the Company entered into a securities purchase agreement (the "June 2026 Purchase Agreement") with certain institutional investors named thereto (the "Purchasers"), pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "June 2026 Offering") of an aggregate of 1,037,206 shares of the Company's common stock, at a purchase price of $5.25 per share, for gross proceeds in the amount of approximately $5.45 million. The Company expects to receive net proceeds of approximately $4.9 million after deducting underwriter's fees of $381,173 and other offering costs of $130,000. The Company used the proceeds from the offering for working capital purposes. As of June 30, 2026, the Company fully received the $4.9 million under the June 2026 Offering.

As of June 30, 2026 and December 31, 2025, the total outstanding shares of the Company's common stock were 4,162,500 and 229,278, respectively.

Warrants

Prefunded Warrants

In connection with the May 2025 Offering, the Company issued 29,875 shares of pre-funded warrants, which is exercisable immediately.

In January 2026, holders of 13,767 May 2025 Pre-Funded Warrants, exercised their options to purchase 13,767 shares of the Company's common stock.

As of June 30, 2026 and December 31, 2025, 16,108 and 29,875prefunded warrants were outstanding, respectively.

The summary of warrant activities for the six months ended June 30, 2026 were as follows:

	Warrants Outstanding	Exercisable Into Number of Shares	Weighted Average Exercise Price	Average Remaining Contractual Life
December 31, 2025	34,114	34,114	$ 11,448	2.23
Granted	-	-	-	-
Exercised	13,767	13,767	-	-
June 30, 2026 (unaudited)	20,347	20,347	$ 11,515	1.73

The summary of warrant activities for the six months ended June 30, 2025 were as follows:

	Warrants Outstanding	Exercisable Into Number of Shares	Weighted Average Exercise Price	Average Remaining Contractual Life
December 31, 2024	8,445	8,445	$ 7,485	3.46
Granted	29,875	29,875	0.25	-
Exercised	4,206	4,206	-	-
June 30, 2025 (unaudited)	34,114	34,114	$ 11,448	2.74

Note 12 – 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 13 – Segment Reporting

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 incurred within the United States, no geographical segments are presented.

Note 14 – Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to August 14, 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 consolidated financial statements, and the notes to those unaudited condensed consolidated 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, is a Nevada corporation and a holding company. The Company currently conducts its operations through the Company and its subsidiary, AI Catalysis. The Company's business focused on artificial intelligence-related initiatives using its existing artificial intelligence and virtual content generation technologies. In May and June 2026, the Company purchased two software – Fato and Fictoiv, at a price of $3.0 million each. Fato is an interactive storytelling application that allows users to influence the storyline through in-app choices, resulting in multiple possible narrative outcomes. Fictoiv is an AI-powered visual novel creation tool that enables users to create interactive visual novels with AI-generated content and branching storylines. The platform operates on a bring-your-own-key (BYOK) model, with project data stored locally on users' devices

Recent Development

Reverse Stock Split

At the Company's annual shareholder meeting held on December 31, 2025, the Company's shareholders approved a reverse stock split of the authorized and unauthorized capital stock of the Company, at a ratio ranging between 1-for-2 and 1-for-250, with the exact ratio to be determined by the board of directors of the Company (the "Board") in its sole discretion, to be effected at any time prior to the one-year anniversary of the date of such stockholders' approval.

On June 16, 2026, The Board approved effecting a 1-for-250 reverse stock split and authorized the filing of a Certificate of Change with the Secretary of State of Nevada. The Reverse Split became effective in accordance with the terms of the Certificate of Change on June 29, 2026. The Certificate of Change did not change the par value of common stock. All references in these financial statements to shares, share prices, exercise prices, and other per share information in all periods have been adjusted, on a retroactive basis, to reflect the Reverse Split.

In connection with the Reverse Split, the Company's outstanding warrants were proportionately adjusted on a 1-for-250 basis. Accordingly, the number of shares of common stock underlying the warrants and the related exercise prices were adjusted to reflect the Reverse Split. Following such adjustments, each warrant continues to be exercisable for one share of the Company's common stock.

Offering

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 4,462 shares of common stock at approximately $131 per share and 37,523 pre-funded warrants (the "May 2025 Pre-Funded Warrants") at approximately $130.75 per warrant (the "May 2025 Offering"). As of June 30, 2026, the Company received gross proceeds of approximately $4.5 million for subscription of 4,462 shares of its common stock and 29,875 pre-funded warrants. The offering remains ongoing and has not yet been fully completed. Transaction costs incurred through June 30, 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, 2026, the Company entered into an At-The-Market Issuance Sales Agreement (the "April 2026 Sales Agreement") with the underwriter, under which the Company may issue and sell from time to time, shares of its common stock, having an aggregate offering price of not more than $300,000,000 through the underwriter (the "April 2026 At-the-Market Offering"). From May to June, 2026, the Company sold 2,882,249 shares of common stock in the April 2026 At-the-Market Offering, at the average offering price of approximately $15.6 per share, for aggregated net proceeds of approximately $42 million, after deducting placement agent fees and the estimated offering expenses payable by the Company. As of June 30, 2026, the Company received $20.2 million under the April 2026 At-the-Market Offering, with the remaining of approximately $21.5 million held in a brokerage account of the underwriter. Up to the date the unaudited condensed consolidated financial statements were issued, the Company received the $21.5 million proceeds in full from the brokerage account.

On June 24, 2026, the Company entered into a securities purchase agreement (the "June 2026 Purchase Agreement") with certain institutional investors named thereto (the "Purchasers"), pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "June 2026 Offering") of an aggregate of 1,037,206 shares of the Company's common stock, at a purchase price of $5.25 per share, for gross proceeds in the amount of approximately $5.45 million. The Company expects to receive net proceeds of approximately $4.9 million after deducting underwriter's fees of $50,000 and other offering costs of $80,000. The Company used the proceeds from the offering for working capital purposes. As of June 30, 2026, the Company fully received the $4.9 million under the June 2026 Offering.

Software Purchase Agreement

In May 2026, the Company acquired the software copyright of Fato: Interactive Novel ("Fato") from Dragon Cliff Limited for cash consideration of $3.0 million. Fato is an interactive novel game application that was launched on the Apple App Store in May 2026. The software copyright was available for its intended use upon launch, and the Company commenced amortization of the software copyright in May 2026.

In June 2026, the Company acquired the software copyright of Fictoiv from Lioness Limited for cash consideration of $3.0 million. Fictoiv is an AI-powered visual novel creation software that was launched on the itch.io platform. The software copyright was available for its intended use in June 2026, and the Company commenced amortization of the software copyright in June 2026.

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 June 30, 2026 vs. June 30, 2025

	For Three Months Ended June 30,			
	2026	**2025**	**Change**	**Percentage Change**
Selling and marketing expenses	(1,000,000)	(300,000)	(700,000)	233.3%
General and administrative	(1,296,954)	(1,022,730)	(274,224)	26.8%
Research and development expense	(553,000)	(233,333)	(319,667)	137.0%
Loss from operations	**(2,849,954)**	**(1,556,063)**	**(1,293,891)**	**83.2%**
Other (expenses) income, net				
Interest income	-	2,179	(2,179)	(100.0)%
Unrealized loss on fair value changes of digital assets	(49,281,243)	-	(49,281,243)	100.0%
Realized gain (loss) on fair value changes of digital assets	(28,799)	-	(28,799)	100.0%
Other (expenses) income, net	**(49,310,042)**	**2,179**	**(49,312,221)**	**(2263067)%**
Loss before income tax	**(52,159,996)**	**(1,553,884)**	**(50,606,112)**	**3256.7%**
Provision for income taxes	1,947	54,830	(52,883)	(96.4)%
Net loss	**(52,158,049)**	**(1,499,054)**	**(50,658,995)**	**3379.4%**
Net loss attributable to noncontrolling interest	-	-	-	-
Net loss attributable to GD Culture Group Limited	(52,158,049)	(1,499,054)	(50,658,995)	3379.4%

Operating Expenses

The Company's operating expenses include selling and marketing expenses("S&M"), general and administrative ("G&A") expenses, research and development ("R&D") expenses. S&M expenses increased by $700,000 from $300,000 for the three months ended June 30, 2025 to $1,000,000 for the three months ended June 30, 2026. The increase was mainly rise in brand marketing expenses and the Company's increased inputs on marketing and advertising for its interactive reading and narrative entertainment platform. G&A expenses increased by $274,224 from $1,022,730 for the three months ended June 30, 2025 to $1,296,954 for the three months ended June 30, 2026. The increase was mainly due to the increase in the amortization of intangible assets. R&D expenses increased to $553,000 for the three months ended June 30, 2026, compared to $233,333 for the three months ended June 30, 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 $49,310,042 during the three months ended June 30, 2026, compared to other income of $2,179 for the three months ended June 30, 2025. The increase was mainly due to the unrealized loss on fair value changes of digital assets for the three months ended June 30, 2026.

Net Loss

The Company's net loss increased by approximately $50.7 million, or 3379.4%, to approximately $52.2 million, for the three months ended June 30, 2026, from approximately $1.5 million for the three months ended June 30, 2025. The increase was primarily driven by the unrealized loss on fair value changes of digital assets as discussed above.

Six Months Ended June 30, 2026 vs. June 30, 2025

	For Six Months Ended June 30,			Percentage
	2026	**2025**	**Change**	**Change**
Selling and marketing expenses	(1,000,000)	(300,000)	(700,000)	233.3%
General and administrative	(2,643,758)	(1,960,607)	(683,151)	34.8%
Research and development expense	(856,000)	(233,333)	(622,667)	266.9%
Loss from operations	**(4,499,758)**	**(2,493,940)**	**(2,005,818)**	**80.4%**
Other (expenses) income, net				
Interest income	-	4,297	(4,297)	(100.0)%
Unrealized loss on fair value changes of digital assets	(211,764,440)	-	(211,764,440)	100.0%
Realized loss on fair value changes of digital assets	(28,799)	-	(28,799)	100.0%
Sublease rental income	97,826	-	97,826	100.0%
Other (expenses) income, net	**(211,695,413)**	4,297	**(211,699,710)**	**(4926686.3)%**
Loss before income tax	**(216,195,171)**	**(2,489,643)**	**(213,705,528)**	**8583.8%**
(Provision for) benefit from income taxes	(28,871)	13,079	(41,950)	(320.7)%
Net loss	**(216,224,042)**	**(2,476,564)**	**(213,747,478)**	**8630.8%**
Net loss attributable to noncontrolling interest	(17)	-	(17)	(100.0)%
Net loss attributable to GD Culture Group Limited	**(216,224,025)**	**(2,476,564)**	**(213,747,461)**	**8630.8%**

Operating Expenses

The Company's operating expenses include selling and marketing expenses("S&M"), general and administrative ("G&A") expenses, research and development ("R&D") expenses. S&M expenses increased by $700,000 from $300,000 for the six months ended June 30, 2025 to $1,000,000 for the six months ended June 30, 2026. The increase was mainly rise in brand marketing expenses and the Company's increased inputs on marketing and advertising for its interactive reading and narrative entertainment platform. G&A expenses increased by $683,151 from $1,960,607 for the six months ended June 30, 2025 to $2,643,758 for the six months ended June 30, 2026. The increase was mainly due to the increase in the amortization of intangible assets. R&D expenses increased to $856,000 for the six months ended June 30, 2026, compared to $233,333 for the six months ended June 30, 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 $211,695,413 during the six months ended June 30, 2026, compared to other income of $4,297 for the six months ended June 30, 2025. The increase was mainly due to the unrealized loss on fair value changes of digital assets for the six months ended June 30, 2026.

Net Loss

The Company's net loss increased by approximately $213.7 million, or 8630.8%, to approximately $216.2 million, for the six months ended June 30, 2026, from approximately $2.5 million for the six months ended June 30, 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 June 30, 2026, the Company had $7,219,580 in its operating bank accounts and working capital of approximately $36.6 million. The Company has incurred significant losses from operations and had an accumulated deficit of approximately $486 million as of June 30, 2026. The Company has historically financed its operations and liquidity needs primarily through equity financings and other capital-raising activities, including proceeds from its at-the-market offerings and other public offerings.

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 six months ended June 30, 2026 and 2025.

	For the Six Months Ended June,	
	2026	**2025**
Net cash used in operating activities	$ (12,341,854)	$ (3,708,974)
Net cash used in investing activities	(6,028,799)	-
Net cash provided by financing activities	25,134,155	4,804,172
Effect of exchange rate change on cash and cash equivalents	37	24
Net change in cash and cash equivalents	$ 6,763,539	$ 1,095,222

Operating activities

Net cash used in operating activities was approximately $12.3 million for the six months ended June 30, 2026, as compared to approximately $3.7 million net cash used in operating activities for the six months ended June 30, 2025. Net loss for the six months ended June 30, 2026 was approximately $216.2 million, as compared to approximately $2.5 million for the six months ended June 30, 2025. The year-over-year increase in net loss was largely offset, for purposes of determining operating cash flows, by an approximately $212.2 million increase in non-cash adjustments, primarily attributable to higher unrealized losses from changes in the fair value of digital assets and increased amortization of intangible assets. In addition, changes in operating assets and liabilities resulted in an approximately $7.1 million increase in net cash used in operating activities, mainly attribute to the increase of prepayments made to third parties for selling and marketing services and research and development services. This increase was partially offset by an increase in other payables and accrued liabilities, which primarily attributable to the accrual of research and development expenses incurred but not yet paid.

Investing activities

Net cash used in investing activities was approximately $6.0 million for the six months ended June 30, 2026, as compared to $nil for the six months ended June 30, 2025. The increase in net cash used in investing activities was due to the purchase of intangible assets of $6.0 million and purchase of digital assets of $100,000 for the six months ended June 30, 2026, partially offset by the Proceeds from disposal of digital assets of $71,201.

Financing activities

Net cash provided by financing activities was approximately $25.1 million for the six months ended June 30, 2026, as compared to approximately $4.8 million for the six months ended June 30, 2025. The increase in cash flow from financing activities primarily due to the proceeds from April 2026 At-the-Market Offering and June 2026 Offering.

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 six months ended June 30, 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 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.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements, which clarifies the applicability of interim reporting guidance, consolidates interim disclosure requirements within Topic 270, and establishes a disclosure principle for material events and changes occurring since the end of the most recent fiscal year. The amendments are effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendments modernize the accounting for internal-use software costs by removing references to software development project stages and introducing new criteria for determining when software development costs should be capitalized, including consideration of significant development uncertainty. The amendments are effective for annual reporting periods beginning after December 15, 2027, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

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

Digital Asset Market Price Risk

The Company is exposed to market risk arising from fluctuations in the market price of Bitcoin held by the Company. The market prices of Bitcoin have historically experienced significant volatility and may continue to fluctuate significantly in the future. Changes in the market prices of the Company’s Bitcoin holdings may result in significant fluctuations in their carrying values and gains or losses recognized in the Company’s results of operations. Accordingly, a significant decline in the market prices of Bitcoin held by the Company could have a material adverse effect on the Company’s financial condition and results of operations.

As of June 30, 2026, the fair value of the Company’s Bitcoin holdings was approximately $451 million. A hypothetical 10% decrease in the market prices of Bitcoin as of June 30, 2026 would have resulted in a decrease of approximately $45 million in the carrying value of the Company’s Bitcoin holdings, with a corresponding impact on the Company’s results of operations.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following 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 August 14, 2026.

	GD CULTURE GROUP LIMITED	
Date: August 14, 2026	By:	*/s/ Xiaojian Wang*
	Name:	Xiaojian Wang
	Title:	Chief Executive Officer, President and Chairman of the Board
Date: August 14, 2026	By:	*/s/ Zihao Zhao*
	Name:	Zihao Zhao
	Title:	Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

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

I, Xiao Jian Wang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q as of and for the six months ended June 30, 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: August 14, 2026

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

Exhibit 31.2

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

I, Zihao Zhao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q as of and for the three months ended June 30, 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: August 14, 2026

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

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited (the “Company”) for the quarterly period ended June 30, 2026 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (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: August 14, 2026

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

Exhibit 32.2

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

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

1. The Quarterly Report on Form 10-Q of GD Culture Group Limited (the "Company") for the quarterly period ended June 30, 2026 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (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: August 14, 2026

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