

Risk Factors Comparison 2025-03-18 to 2024-04-02 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

An investment in our shares of common stock involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this Report, before you decide to buy any of our securities. Any of the following risks could cause our business, results of operations and financial condition to suffer materially, causing the market price of our shares of common stock to decline, in which event you may lose part or all of your investment in our shares of common stock. Additional risks and uncertainties not currently known to us or that we currently do not deem material may also become important factors that may materially and adversely affect our business. Risks Related to Our Corporate Structure We **may** rely on dividends paid by our subsidiaries for our cash needs. Any limitation on the ability of our subsidiaries to make dividend payments to us, or any tax implications of making dividend payments to us, could limit our ability to pay our parent company expenses or pay dividends to holders of our common stock. **We GDC may rely on dividends to be paid by our subsidiaries in Nevada and in the PRC, to fund our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.** Under the Nevada Revised Statutes and the Articles of Incorporation and Bylaws of **each of GDC and AI Catalysis (a direct subsidiary of GDC)**, dividends may be declared by the Board of Directors at any regular or special meeting. No distribution may be made if, after giving it effect: (a) **AI Catalysis such company** would not be able to pay its debts as they become due in the usual course of business; or (b) **AI Catalysis such company**'s total assets would be less than the sum of its total liabilities plus the amount that would be needed, if **AI Catalysis such company** were to be dissolved immediately after the time of the distribution, to satisfy the preferential rights upon such dissolution of holders of shares of any class or series of the capital stock of **AI Catalysis such company** having preferential rights superior to those receiving the distribution. Under **the laws of the British Virgin Islands, our BVI subsidiary and a direct subsidiary of GDC, Citi Profit, may pay a dividend to GDC out of profit, provided that in no circumstances may a dividend be paid if this would result in Citi Profit being unable to pay our debts due in the ordinary course of business. Under the laws of Hong Kong, our Hong Kong subsidiary and a direct subsidiary of Citi Profit, Highlight HK, is permitted, to provide funding to Citi Profit through dividends distribution out of its profits. Under the current practices of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid to Citi Profit as a British Virgin Islands company. Under PRC laws and regulations, our PRC subsidiaries, Highlight WFOE (a direct subsidiary of Citi Profit), and Shanghai Xianzhui (a direct subsidiary of Highlight WFOE), may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies.** In addition, a wholly foreign- owned enterprise is required to set aside at least 10 % of its accumulated after- tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50 % of its registered capital. **We Remittance of dividends by a wholly foreign- owned enterprise out of China is also subject to examination by the banks designated by the State Administration of Foreign Exchange, or SAFE. In addition, we** expect that revenue, if any, to be generated by our PRC operating subsidiary, Shanghai Xianzhui, will be in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC operating subsidiary to use its Renminbi revenues to pay dividends to us. **To the extent cash or assets in the business is in the PRC / Hong Kong or a PRC / Hong Kong entity, the funds or assets may not be available to fund operations or for other use outside of the PRC / Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of us or our subsidiaries by the PRC government to transfer cash or assets. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. In view of the foregoing, to the extent cash in our business is held in China or by a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC.** The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross- border transactions falling under both the current account and the capital account. In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10 % will be applicable to dividends payable by Chinese companies to non- PRC- resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non- PRC resident enterprises are incorporated. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. **Under PRC law, Highlight WFOE and Shanghai Xianzhui may be funded through capital contributions by its immediate parent company or loans, subject to satisfaction of applicable government registration and approval requirements. Before providing loans to our PRC subsidiaries, we will be required to make filings about details of the loans with the SAFE in accordance with relevant PRC laws and regulations. Highlight HK is permitted under the laws of Hong Kong to provide funding to Shanghai Xianzhui through capital contributions or to other companies within our corporate structure through loans without restrictions on the amount of the funds and such funding is not subject to government registration**

or filing requirements under the laws of Hong Kong. Citi Profit is permitted under the laws of the British Virgin Islands to provide funding to Highlight WFOE through capital contributions or to other companies within our corporate structure through loans without restrictions on the amount of the funds and such funding is not subject to government registration or filing requirements under the laws of the British Virgin Islands. GDC is permitted under the laws of Nevada to provide funding to Citi Profit through capital contributions or to other companies within our corporate structure through loans without restrictions on the amount of the funds and such funding is not subject to government registration or filing requirements under the laws of the Nevada. AI Catalysis is permitted under the laws of Nevada to provide funding to other companies within our corporate structure through loans without restrictions on the amount of the funds and such funding is not subject to government registration or filing requirements under the laws of the Nevada. GDC presently does not maintain any cash management policies which dictate how funds are transferred, however, GDC continues to conduct regular review and management of all its subsidiaries' cash transfers and reports to board of directors. Prior to September 28, 2022, Makes IoT Technology (Shanghai) Co., Ltd., a then indirect subsidiary of the Company ("Makes WFOE"), had a series of contractual arrangement with Sichuan Wuge Network Games Co., Ltd. ("Wuge") and its shareholders that established a variable interest entity (the "VIE") structure. For accounting purposes, Makes WFOE was the primary beneficiary of Wuge. Accordingly, under accounting principles generally accepted in the United States of America ("U. S. GAAP"), the Company treated Wuge as the consolidated affiliated entity and has consolidated Wuge's financial statements prior to September 28, 2022. Wuge focused its business on research, development and application of Internet of Things (IoT) and electronic tokens Wuge digital door signs. On September 28, 2022, Makes WFOE entered into a termination agreement with Wuge and the shareholders of Wuge to terminate the VIE Agreements and to cancel the shares previously issued to the shareholders of Wuge, based on the average closing price of \$ 0.237 per share of the Company during the 30 trading days immediately prior to the date of the termination agreement. As a result of such termination, the Company no longer treats Wuge as a consolidated affiliated entity or consolidates the financial results and balance sheet of Wuge in the Company's consolidated financial statements under U. S. GAAP. Prior to June 26, 2023, Makes WFOE had a series of contractual arrangement with Shanghai Yuanma Food and Beverage Management Co., Ltd. ("Yuan Ma") and its shareholders that established a VIE structure. For accounting purposes, Makes WFOE was the primary beneficiary of Yuan Ma. Accordingly, under U. S. GAAP, the Company treated Yuan Ma as the consolidated affiliated entity and has consolidated Yuan Ma's financial results in the Company's consolidated financial statements prior to June 26, 2023. On June 26, 2023, the Company entered into a share purchase agreement with a buyer unaffiliated with the Company. Pursuant to the agreement, the Company agreed to sell and the buyer agreed to purchase all the issued and outstanding equity interest in TMSR Holdings Limited ("TMSR HK"), which owned 100 % equity interest in Makes WFOE. The purchase price for the transaction contemplated by the Agreement was \$ 100,000. The sale of TMSR HK did not have any material impact on the Company's consolidated financial statements. Prior to September 26, 2023, Highlight WFOE had a series of contractual arrangement with Highlight Media and its shareholders that established a VIE structure. For accounting purposes, Highlight WFOE was the primary beneficiary of Highlight Media. Accordingly, under U. S. GAAP, the Company treated Highlight Media as the consolidated affiliated entity and has consolidated Highlight Media's financial results in the Company's financial statements prior to September 26, 2023. Highlight Media was an integrated marketing service agency, focusing on enterprise brand management, crisis public relations, intelligent public opinion monitoring, media PR, financial and economic we-media operation, digital face application, large-scale exhibition services and other businesses. On September 26, 2023, Highlight WFOE entered into a termination agreement with Highlight Media and the shareholders of Highlight Media to terminate the VIE Agreements and sold the interest in the VIE Agreements for a purchase price of \$ 100,000. As a result of such termination, the Company no longer treats Highlight Media as a consolidated affiliated entity or consolidates the financial results and balance sheet of Highlight Media in the Company's consolidated financial statements under U. S. GAAP. As of December 31, 2024 and as of the date of this report, we do not have a VIE structure. During the three months ended March 31, 2025 and the fiscal year ended December 31, 2024, there was no transfer of assets between GDC and its subsidiaries. No amounts owed under any previous VIE agreements were settled. There were no cash transfers to or from the VIEs. GDC did not make any dividends or distributions to U. S. investors. During the fiscal years ended December 31, 2023, GDC transferred a total of \$ 2,100,000 to its subsidiary AI Catalysis Corp as capital contribution. No subsidiary made any dividends or distributions to GDC. No amounts owed under any VIE agreements were settled. There were no cash transfers to or from the VIEs. GDC did not make any dividends or distributions to U. S. investors. As of the date of this report, we have no intention of distributing any earnings as dividends to our investors or to settle amounts owned under the previous VIE agreements. If our subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. See "Item 1. Business – Asset Transfer between our Company and our Subsidiaries." Risks Related to Doing Business in China PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using proceeds from future financing activities to make loans or additional capital contributions to our PRC operating subsidiaries. In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, which replaces the previous SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future. Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made,

direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE to reflect any material change. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. In February, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound direct investments, including those required under SAFE Circular 37, must be filed with qualified banks instead of SAFE. Qualified banks should examine the applications and accept registrations under the supervision of SAFE. We have used our best efforts to notify PRC residents or entities who directly or indirectly hold shares in GD Culture Group Limited and who are known to us as being PRC residents to complete the foreign exchange registrations. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. We cannot assure you that all other shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, and limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects. Furthermore, as these foreign exchange and outbound investment related regulations are relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border investments and transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. We cannot assure you that we have complied or will be able to comply with all applicable foreign exchange and outbound investment related regulations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects. We may finance our subsidiaries by means of loans or capital contributions ~~and finance Shanghai Xianzhui by means of loans~~. Any capital contributions or loans that we, as an offshore entity, make to our Company's PRC operating subsidiary, Shanghai Xianzhui, are subject to the above PRC regulations. We may not be able to obtain necessary government registrations or approvals on a timely basis, if at all. If we fail to obtain such approvals or make such registration, our ability to make equity contributions or provide loans to our Company's PRC subsidiaries, including Shanghai Xianzhui, or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments. As a result, our liquidity and our ability to fund and expand our business may be negatively affected. Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and results of operations. **All While the majority of the Company's operation is in the United States, all** of Shanghai Xianzhui's operations and assets are located in China. Accordingly, Shanghai Xianzhui's business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, China's economic growth has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations. Under the Enterprise Income Tax Law, we may be classified as a "Resident Enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders. China passed the Enterprise Income Tax Law, or the EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in

a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. On April 22, 2009, the State Administration of Taxation of China issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies, or the Notice, further interpreting the application of the EIT Law and its implementation to offshore entities controlled by a Chinese enterprise or group. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a “non-domestically incorporated resident enterprise” if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate stamps, board and stockholder minutes are kept in China; and (iv) all of its directors with voting rights or senior management reside in China. A resident enterprise would be subject to an enterprise income tax rate of 25 % on its worldwide income and must pay a withholding tax at a rate of 10 % when paying dividends to its non- PRC stockholders. Because substantially all of our operations and senior management are located within the PRC and are expected to remain so for the foreseeable future, we may be considered a PRC resident enterprise for enterprise income tax purposes and therefore subject to the PRC enterprise income tax at the rate of 25 % on its worldwide income. However, it remains unclear as to whether the Notice is applicable to an offshore enterprise controlled by a Chinese natural person. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case. If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25 % on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as non- China source income would be subject to PRC enterprise income tax at a rate of 25 %. Currently, we do not have any non- China source income, ~~as we conduct our sales in China.~~ However, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries would be deemed as “qualified investment income between resident enterprises” and therefore qualify as “tax- exempt income” pursuant to clause 26 of the EIT Law. Second, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which the dividends we pay with respect to our common stock, or the gain our non- PRC shareholders may realize from the transfer of our common stock, may be treated as PRC- sourced income and may therefore be subject to a 10 % PRC withholding tax. The EIT Law and its implementing regulations are, however, relatively new and ambiguities exist with respect to the interpretation and identification of PRC- sourced income, and the application and assessment of withholding taxes. If we are required under the EIT Law and its implementing regulations to withhold PRC income tax on dividends payable to our non- PRC shareholders, or if non- PRC stockholders are required to pay PRC income tax on gains on the transfer of their common stock, our business could be negatively impacted and the value of your investment may be materially reduced. Further, if we were treated as a “resident enterprise” by PRC tax authorities, we would be subject to taxation in both China and such countries in which we have taxable income, and our PRC tax may not be creditable against such other taxes. We must comply with the Foreign Corrupt Practices Act and Chinese anti- corruption laws. We are required to comply with the United States Foreign Corrupt Practices Act, or FCPA, which prohibits US companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some of our competitors, are not subject to these prohibitions. The PRC also strictly prohibits bribery of government officials. Certain of our suppliers are owned by the PRC government and our dealings with them are likely to be considered to be with government officials for these purposes. Corruption, extortion, bribery, pay- offs, theft and other fraudulent practices occur from time- to- time in China. It is our policy to prohibit our employees, and to discourage our agents, representatives and consultants, from engaging in such practices. If our competitors engage in these practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new licenses, which would put us at a disadvantage. Our employees, agents, representatives and consultants may not always be subject to our control. If any of them violates FCPA or other anti- corruption law, we might be held responsible. We could suffer severe penalties in that event. In addition, the US government may seek to hold us liable for successor liability FCPA violations committed by companies in which we invest or which we acquire. Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us. The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The legislation over the past three decades has significantly increased the protection afforded to various forms of foreign or private- sector investment in China. Shanghai Xianzhui is subject to various PRC laws and regulations generally applicable to companies in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, however, the interpretations of many laws, regulations, and rules are not always uniform and enforcement of these laws, regulations, and rules involve uncertainties. From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, however, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in the PRC legal system than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies, internal rules, and regulations that may have retroactive effect and may change quickly with little advance notice. As a result, Shanghai Xianzhui may not be aware of its violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of the contractual, property (including intellectual property), and procedural rights, and any failure to respond to changes in the regulatory environment in China could

materially and adversely affect Shanghai Xianzhui's business and impede Shanghai Xianzhui's ability to continue its operations. Our business may be materially and adversely affected if our PRC subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding. The Enterprise Bankruptcy Law of the PRC, or the Bankruptcy Law, came into effect on June 1, 2007. The Bankruptcy Law provides that an enterprise will be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise's assets are, or are demonstrably, insufficient to clear such debts. Shanghai Xianzhui holds certain assets that are important to our business operations. If Shanghai Xianzhui undergoes a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect Shanghai Xianzhui's business, financial condition and results of operations. According to SAFE's Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, effective on 17 December 2012, and the Provisions for Administration of Foreign Exchange Relating to Inbound Direct Investment by Foreign Investors, effective May 13, 2013, if any of our PRC subsidiaries undergoes a voluntary or involuntary liquidation proceeding, prior approval from SAFE for remittance of foreign exchange to our shareholders abroad is no longer required, but we still need to conduct a registration process with the SAFE local branch. It is not clear whether "registration" is a mere formality or involves the kind of substantive review process undertaken by SAFE and its relevant branches in the past. Given the Chinese government's significant oversight and discretion over the conduct of the business of Shanghai Xianzhui, the Chinese government may intervene or influence its operations at any time, which could result in a material change in the operations of Shanghai Xianzhui and / or the value of our common stock. The Chinese government has significant oversight and discretion over the conduct of Shanghai Xianzhui and may intervene or influence ~~their~~ **its** operations at any time as the government deems appropriate to further regulatory, political, and societal goals, which could result in a material change in the operations of Shanghai Xianzhui and / or the value of our common stock. The Chinese government has recently published new policies that significantly affected certain industries such as the education and Internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect the business, financial condition, and results of operations of Shanghai Xianzhui. Furthermore, if China adopts more stringent standards with respect to certain areas such as environmental protection or corporate social responsibilities, Shanghai Xianzhui may incur increased compliance costs or become subject to additional restrictions in their operations. Certain areas of the law in China, including intellectual property rights and confidentiality protections, may also not be as effective as in the United States or other countries. In addition, we cannot predict the effects of future developments in the PRC legal system on the business operations of Shanghai Xianzhui, including the promulgation of new laws, or changes to existing laws or the interpretation or enforcement thereof. These uncertainties could limit the legal protections available to us and our investors, including you. The Chinese government exerts substantial influence over the manner in which we must conduct our business activities. We are currently not required to obtain approval from Chinese authorities to list on U. S. exchanges, however, if Shanghai Xianzhui or **GDC** ~~the~~ **Company** were required to obtain approval in the future and were denied permission from Chinese authorities to list on U. S. exchanges, we will not be able to continue listing on U. S. exchange and the value of our common stock may significantly decline or become worthless, which would materially affect the interest of the investors. The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Under the current government leadership, the government of the PRC has been pursuing reform policies which have adversely affected China-based operating companies whose securities are listed in the United States, with significant policies changes being made from time to time without notice. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with borrowers in the event of the imposition of statutory liens, bankruptcy or criminal proceedings. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties. Given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and / or foreign investment in China-based issuers, any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless. The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, or the Opinions, which was made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-concept overseas listed companies. As of the date of this Report, we have not received any inquiry, notice, warning, or sanctions from PRC government authorities in connection with the Opinions. On June 10, 2021, the Standing Committee of the National People's Congress of China, or the SCNPC, promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such

data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data information. On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, or the Regulations, which took effect on September 1, 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Review Measures. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure. On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which took effect on November 1, 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's consent shall be obtained to use sensitive personal information, such as biometric characteristics and individual location tracking, (ii) personal information operators using sensitive personal information shall notify individuals of the necessity of such use and impact on the individual's rights, and (iii) where personal information operators reject an individual's request to exercise his or her rights, the individual may file a lawsuit with a People's Court. On February 17, 2023, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and report relevant information to the CSRC. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. As a listed company, we believe that ~~we and all of our~~ **neither the Company nor the** PRC subsidiaries are ~~not~~ required to fulfill filing procedures with the CSRC to continue to offer our securities, or continue listing on the Nasdaq Capital Market, **considering that (i) the operating income and total profit of the Company's subsidiaries that were established in China for the year ended December 31, 2023 do not account for more than 50 % of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, it is the opinion of our PRC counsel, Junjin Law Firm, that we are not required to complete the record filing requirement under the Trial Measures.** However, there are substantial uncertainties regarding the interpretation and application of the M & A Rules, other PRC Laws and future PRC laws and regulations, and there can be no assurance that any governmental agency will not take a view that is contrary to or otherwise different from our belief stated herein. See "Risk Factors- Risk Factors Relating to Doing Business in China- The CSRC has released the Trial Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the "Trial Measures"). With such rules in effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to continue to offer our securities to investors and could cause the value of our securities to significantly decline or become worthless." As such, the Company's businesses may be subject to various government and regulatory interference in the provinces in which they operate. The Company could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub- divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. The Chinese government may intervene or influence our operations at any time with little advance notice, which could result in a material change in our operations and in the value of our common stock. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and / or foreign investment in China- based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless. Furthermore, it is uncertain when and whether the Company will be required to obtain permission from the PRC government to list on U. S. exchanges in the future, and even when such permission is obtained, whether it will be denied or rescinded. Although the Company is currently not required to obtain permission from any of the PRC federal or local government to obtain such permission and has not received any denial to list on the U. S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry. As a result, our common stock may decline in value dramatically or even become worthless should we become subject to new requirement to obtain permission from the PRC government to list on U. S. exchange in the future. Fluctuations in exchange rates could adversely affect our business and the value of our securities. Changes in the value of the RMB against the U. S. dollar are affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of the RMB may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on our shares in U. S. dollar terms. For example, to the extent that we need to convert U. S. dollars we receive from our public offering into RMB for our operations, appreciation of the RMB against the U. S. dollar would have an adverse effect on RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U. S. dollars for the purpose of paying dividends on our common stock or for other business purposes, appreciation of the U. S. dollar against the RMB would have a negative effect on the U. S. dollar amount available to us. In addition, fluctuations of the RMB against other currencies may increase or decrease the cost of imports and exports, and thus affect the price- competitiveness of our products against products of foreign manufacturers or products relying on foreign inputs. Since July 2005, the RMB is no longer pegged to the U. S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short- term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U. S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on

fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. Increases in labor costs in the PRC may adversely affect our business and results of operations. The currently effective PRC Labor Contract Law, or the Labor Contract Law was first adopted on June 29, 2007 and later amended on December 28, 2012. The PRC Labor Contract Law has reinforced the protection of employees who, under the Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. Furthermore, the Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. To the extent that we need to significantly reduce our workforce, the Labor Contract Law could adversely affect our ability to do so in a timely and cost-effective manner, and our results of operations could be adversely affected. In addition, for employees whose employment contracts include noncompetition terms, the Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our vehicle buyers by increasing the prices of our products and services, our financial condition and results of operations would be materially and adversely affected. PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law. In July 2014, SAFE promulgated the Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents via Special Purpose Vehicles, or "Circular 37". According to Circular 37, prior registration with the local SAFE branch is required for Chinese residents to contribute domestic assets or interests to offshore companies, known as Special Purpose Vehicles ("SPVs"). Circular 37 further requires amendment to a PRC resident's registration in the event of any significant changes with respect to the SPV, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division, or other material event. Further, foreign investment enterprises established by way of round-tripping shall complete the relevant foreign exchange registration formalities pursuant to the prevailing foreign exchange control provisions for direct investments by foreign investors, and disclose the relevant information such as actual controlling party of the shareholders truthfully. We may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit Highlight WFOE's ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects. Shanghai Xianzhui may become subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. Shanghai Xianzhui may be required to suspend its business, be liable for improper use or appropriation of personal information provided by our customers and face other penalties. Shanghai Xianzhui may become subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. These laws and regulations are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly with respect to foreign laws. In particular, there are numerous laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal information and other user data. Such laws and regulations often vary in scope, may be subject to differing interpretations, and may be inconsistent among different jurisdictions. We expect to obtain information about various aspects of our operations as well as regarding our employees and third parties. We also maintain information about various aspects of our operations as well as regarding our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such information. The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not, without users' consent, collect their personal information, and may only collect users' personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The Civil Code of the PRC (issued by the PRC National People's Congress on May 28, 2020 and effective from January 1, 2021) provides main legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the CAC, MIIT, and the Ministry of Public Security have been increasingly focused on regulation in the areas of data security and data protection. ~~The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various regulatory bodies in China, including the CAC, the Ministry of Public Security and the SAMR, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In April 2020, the Chinese government promulgated Cybersecurity Review Measures, which came into effect on June 1, 2020. According to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. In November 2016, the Standing Committee of China's National People's Congress passed China's first Cybersecurity Law ("CSL"), which became effective in June 2017. The CSL is the first PRC law that~~

systematically lays out the regulatory requirements on cybersecurity and data protection, subjecting many previously under-regulated or unregulated activities in cyberspace to government scrutiny. The legal consequences of violation of the CSL include penalties of warning, confiscation of illegal income, suspension of related business, winding up for rectification, shutting down the websites, and revocation of business license or relevant permits. In April 2020, the CAC and certain other PRC regulatory authorities promulgated the Cybersecurity Review Measures, which became effective in June 2020. Pursuant to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. On June 10, 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law, which took effect on September 1, 2021. The Data Security Law also sets forth the data security protection obligations for entities and individuals handling personal data, including that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data should not exceed the necessary limits. The costs of compliance with, and other burdens imposed by, CSL and any other cybersecurity and related laws may limit the use and adoption of our products and services and could have an adverse impact on our business. On January 4, 2022, thirteen PRC regulatory agencies, namely, the CAC, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the MOF, MOFCOM, SAMR, CSRC, the People's Bank of China, the National Radio and Television Administration, National Administration of State Secrets Protection and the National Cryptography Administration, jointly adopted and published the Measures for Cybersecurity Review (2021), which became effective on February 15, 2022. The Measures for Cybersecurity Review (2021) required that, among others, in addition to "operator of critical information infrastructure" any "operator of network platform" holding personal information of more than one million users which seeks to list in a foreign stock exchange should also be subject to cybersecurity review. On July 10, 2021, the CAC issued a revised draft of the Measures for Cybersecurity Review for public comments (the "Review Measures"), and on December 28, 2021, the CAC, the NDRC, and several other administrations jointly with issued the revised relevant authorities published Measures for Cybersecurity Review (2021), or the Revised Review Measures, which took became effect effective and has replaced the existing Measures for Cybersecurity Review on February 15, 2022 and replace . According to the Revised Review Measures, which required if an "online platform operator" that operators is in possession of personal critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the "Operators") carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review, any operator who controls more than one million users' personal information intends to list in a foreign country, it must go through apply for a cybersecurity review by . Based on a set of Q & A published on the official website of the State Cipher Code Administration in connection with the issuance of the Revised Review Measures, an official of the said administration indicated that an online platform operator should apply for a cybersecurity review office if prior to the submission of its listing application with non-PRC securities regulators. Given the recency of the issuance of the Revised Review Measures and their pending effectiveness, there is a general lack of guidance and substantial uncertainties exist with respect to their interpretation and implementation. For example, it seeks is unclear whether the requirement of cybersecurity review applies to be follow-on offerings by an "online platform operator" that is in possession of personal data of more than one million users where the offshore holding company of such operator is already listed overseas in a foreign country. We do not know what Furthermore, the CAC released the draft of the regulations Regulations on Network Data Security Management in November 2021 for public consultation, which among other things, stipulates that a data processor listed overseas must conduct an annual data security review by itself or by engaging a data security service provider and submit the annual data security review report for a given year to the municipal cybersecurity department before January 31 of the following year. If the draft Regulations on Network Data Security Management are enacted in the current form, we, as an overseas listed company, will be required to carry out adopted or how such regulations will affect us and an our listing on Nasdaq. In annual data security review and comply with the event that relevant reporting obligations. It is the CAC determines opinion of our PRC counsel, Junjin Law Firm, that we will not are subject to these regulations, we may be required to delist from Nasdaq and we may be subject to fines and penalties. Under the Data Security Law enacted on September 1, 2021 and the Measures for Cybersecurity cybersecurity Review review with the CAC (2021) implemented on February 15, 2022, given that : (i) Shanghai Xianzhui is not an Operator, (ii) Shanghai Xianzhui does not possess more and does not anticipate than that one million users' it will possess a large amount of personal information ; in our business operations and (iii- ii) data processed in Shanghai Xianzhui's business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. In addition, for the same reasons, we are not subject to network data security review by the CAC if the Draft Regulations on the Network Data Security Administration are enacted as proposed. However, if the CSRC, CAC or other-- the regulatory agencies later promulgate new rules or explanations requiring that we obtain definition of "network platform operator" is unclear and it is also unclear on how it will be interpreted and implemented by their-- the approvals for relevant PRC governmental authorities. In addition, any- an overseas-listed company must also submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities . within the time frame specified we may be unable to obtain such approvals and we may face sanctions by the CSRC, CAC or other PRC..... of operations. The CSRC has released the Trial Measures for Administration. It is the opinion of Overseas Securities our PRC counsel, Junjin Law Firm, that because the Company is not a company registered and formed in the territory of China, its continued listing on Nasdaq and future Offerings offerings are not and Listings by Domestic Companies (the "direct overseas offering and listing of domestic enterprises" as defined under the Trial Measures "). Furthermore With such rules in effect, according the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers, which could significantly limit or completely hinder our ability to Article 2 continue to offer our securities

to investors and could cause the value of our securities to significantly decline or become worthless. On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures, the “indirect overseas offering and five supporting guidelines listing of domestic enterprises” refers to the overseas offering and listing of enterprises whose main business activities are in China, in the name of enterprises registered overseas, which came into effect offering and listing are based on March 31, 2023 assets, income or other similar rights and interests of the domestic enterprises. According to Article 15 of the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and report relevant information to the CSRC; if a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offerings and listings shall be determined as an “indirect overseas offerings— offering and listings— listing of by a domestic company enterprises ”: (i) 50 % or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic enterprises; and; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in China. The Company does not meet both the requirements under Article 15 of the Trial Measures and therefore its continued listing on Nasdaq and future offerings are not and— an “ Indirect overseas offering and listing of domestic enterprises ”, considering that (3-i) the operating income and total profit of the Company’s subsidiaries that where— were established in China for the year ended December 31, 2023 do not account for more than 50 % of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a the CSRC,CAC risks could result in a material adverse change in our operations and /or the other value of our common stock, and PRC regulatory agencies for failure to seek their approval which could significantly limit or completely hinder our ability to offer or continue to offer securities to our investors and the or cause such securities to significantly— currently being offered may substantially decline in value or become— and be worthless. We cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there is no assurance that we can fully or timely comply with such laws. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations. The CSRC has released domestic company seeks to indirectly offer and list securities in an overseas market markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file for all filing procedures with the CSRC, and where an issuer makes an application for initial public offerings or listings in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted; if the issuer submits the application documents for offerings or listings in secret or non— public ways overseas, it may submit an explanation at the time of filing, and the application shall be postponed until the application documents are reported to the CSRC within three business days after the application documents are disclosed overseas. The Trial Measures also lay out, may subject us to additional compliance requirements in for the reporting future, and we cannot assure you that we will be able to get the clearance of material events. Breaches of the Trial Measures, such as offering and listing securities overseas without fulfilling the filing procedures under, shall bear legal liabilities, including a fine between RMB 1. 0 million (approximately \$ 150, 000) and RMB 10. 0 million (approximately \$ 1. 5 million), and the Trial Measures increase the cost for offenders by enforcing accountability with administrative penalties and incorporating the compliance status of relevant market participants into the Securities Market Integrity Archives. According to the Circular, since the date of effectiveness of the Trial Measures on March 31 a timely basis, 2023, PRC domestic enterprises falling or at all. Any failure of us to fully comply with within new the scope of filing that have been listed overseas or met the following circumstances are “ existing enterprises ”: before the effectiveness of the Trial Measures on March 31, 2023, the application for indirect overseas issuance and listing has been approved by the overseas regulatory regulators requirements may significantly limit or completely hinder our— or overseas stock exchanges (such as the registration statement has ability to continue to offer our securities, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our consolidated financial condition and results of operations and cause our securities to significantly decline in value or become worthless effective on the U. We believe that we S. market), it is not required to perform issuance and listing supervision procedures of the overseas regulators our— or PRC subsidiaries overseas stock exchanges, and the overseas issuance and listing will be completed by September 30, 2023. Existing enterprises are not required to fulfill file with the CSRC immediately, and filings with the CSRC should be made as required if they involve refinancings and other filing matters. PRC domestic enterprises that have submitted valid applications for overseas issuance and listing but have not been approved by overseas regulatory authorities or overseas stock exchanges at the date of effectiveness of the Trial Measures on March 31, 2023 can reasonably arrange the timing of filing applications with the CSRC and shall complete the filing with the CSRC before the overseas issuance and listing. The Company does not meet both the requirements under Article 15 of the Trial Measures and therefore its continued listing on Nasdaq and future offerings are not an “ Indirect overseas offering and listing of domestic enterprises ”, considering that (i) the operating income and total profit of the Company’s subsidiaries that were established in China for the year ended December 31, 2023 do not account for more than 50 % of the operating income and total profit in our consolidated financial statements for the same period, (ii) our main business

is not conducted within China, and (iii) the majority of our senior management personnel are not Chinese citizens or reside in China on a regular basis. Therefore, it is the opinion of our PRC counsel, Junjin Law Firm, that we are not required to complete the record filing requirement under the Trial Measures. However, if we inadvertently conclude that such filing procedures with are not required, or applicable laws, regulations, or interpretations change such that we are required to complete the filing procedures in the future, we may be subject to investigations by the regulators, fines or penalties, ordered to suspend our relevant operations and rectify any non-compliance, prohibited from engaging in relevant business or conducting any offering, and these CSRC risks could result in a material adverse change in our operations and / or the value of our common stock, and could significantly limit or completely hinder our ability to offer or continue to offer our securities, or continue listing on the Nasdaq Capital Market, or operate the business. In addition, to date investors, none of us or our or cause such securities to significantly decline in value PRC subsidiaries have received any filing or compliance requirements from CSRC for or become worthless the listing of the Company at Nasdaq Capital Market and all of its overseas offerings. However, there are substantial uncertainties regarding the interpretation and application of the M & A Rules, other PRC Laws and future PRC laws and regulations, and there can be no assurance that any PRC governmental agency will not take a view that is contrary to or otherwise different from our belief stated herein. If we become directly subject to the recent scrutiny, criticism and negative publicity involving U. S.- listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, listing and future offerings and our reputation and could result in a loss of your investment in our common stock, especially if such matter cannot be addressed and resolved favorably. Recently, U. S. public companies that have substantially all of their operations in China, have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U. S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector- wide scrutiny, criticism and negative publicity will have on our Company, our business and listing and future offerings. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and / or defend the Company. This situation may be a major distraction to our management. If such allegations are not proven to be groundless, our Company and business operations will be severely hampered and your investment in our common stock could be rendered worthless. The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non- U. S. auditors who are not inspected by the PCAOB. Although the audit report included in this annual report was issued by U. S. auditors who are currently inspected by the PCAOB, if it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors would be deprived of the benefits of such inspection and our common stock may be delisted or prohibited from trading. On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets. On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply minimum offering size requirement for companies primarily operating in “ Restrictive Market ”, (ii) adopt a new requirement relating to the qualification of management or board of director for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’ s auditors. On May 20, 2020, the U. S. Senate passed the HFCAA requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’ s auditors for three consecutive years, the issuer’ s securities are prohibited to trade on a national securities exchange or in the over the counter trading market in the U. S. On December 2, 2020, the U. S. House of Representatives approved the HFCAA. On December 18, 2020, the HFCAA was signed into law. On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the Act. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10- K, 20- F, 40- F or N- CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. The SEC will implement a process for identifying such a registrant and any such identified registrant will be required to submit documentation to the SEC establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction, and will also require disclosure in the registrant’ s annual report regarding the audit arrangements of, and governmental influence on, such a registrant. On June 22, 2021, the U. S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer’ s securities from trading on any U. S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting

firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions. On December 16, 2021, PCAOB announced the PCAOB Holding Foreign Companies Accountable Act determinations (the “ PCAOB determinations ”) relating to the PCAOB’ s inability to inspect or investigate completely registered public accounting firms headquartered in mainland China of the PRC or Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in the PRC or Hong Kong. On August 26, 2022, the CSRC, the MOF, and the PCAOB signed a Statement of Protocol (the “ Protocol ”), governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB’ s access in the future, the PCAOB will consider the need to issue a new determination. Our ~~previous auditor, Enrome LLP, has been inspected by the PCAOB on a regular basis in the audit period. Our current auditor, HTL International, LLC, with their headquarter at 12 Greenway Plaza Suite 1100, Houston, Texas 77046~~, has been inspected by the PCAOB on a regular basis as well. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors’ audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate. Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, an exchange may determine to delist our securities. However, these recent developments would add uncertainties to our listing and future offerings, and we cannot assure you whether Nasdaq or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor’ s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. In the event it is later determined that the PCAOB is unable to inspect or investigate completely the Company’ s auditor because of a position taken by an authority in a foreign jurisdiction, then such lack of inspection could cause trading in the Company’ s securities to be prohibited under the HFCAA, and ultimately result in a determination by a securities exchange to delist the Company’ s securities. The M & A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China. The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M & A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOC be notified in advance of any change- of- control transaction in which a foreign investor takes control of a PRC domestic enterprise. For example, the M & A Rules require that MOFCOM be notified in advance of any change- of- control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time- honored brand. Moreover, the Anti- Monopoly Law promulgated by the SCNPC effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i. e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB 2 billion, and at least two of these operators each had a turnover of more than RMB 400 million within China) must be cleared by MOFCOM before they can be completed. Moreover, the Anti- Monopoly Law requires that the MOC shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “ national defense and security ” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “ national security ” concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above- mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. If Shanghai Xianzhui fails to maintain the requisite licenses and approvals required under PRC law, our business, financial condition and results of operations may be materially and adversely affected. **We conduct part of our operations in China. As such, the PRC government may exercise significant oversight and discretion over the conduct of our operating subsidiaries’ business and may intervene in or influence their operations at any time, which could result in a material change in their operations and / or the value of our ordinary shares. Changes in the policies, regulations, rules, and the enforcement of laws of the PRC government may also be implemented quickly with little advance notice. Therefore, our assertions and beliefs of the risk imposed by the PRC legal and regulatory system cannot be certain. GDC conducts its operations and operates its business in both United States and China by itself and through its subsidiaries, AI Catalysis**

Corp., a Nevada corporation, and Shanghai Xianzhui Technology Co., Ltd., a company incorporated in China. The majority of the Company's operation is in the United States. As of the date of this report, we are not materially affected by recent statements by the PRC government indicating an intention to exert more oversight and control over offerings that are conducted overseas and / or Foreign foreign investment in China- based issuers. However, due to certain long arm provisions in the current PRC laws and regulations, there remains regulatory uncertainty with respect to the implementation and interpretation of laws in the PRC. The PRC government may choose to exercise significant oversight and discretion, and the regulations to which our operating subsidiaries are subject may change rapidly and with little notice to us and our operating subsidiaries or our shareholders. As a result, the application, interpretation, and enforcement of new and existing laws and regulations in the PRC are often uncertain. In addition, these laws and regulations may be interpreted and applied inconsistently by different agencies or authorities, and inconsistently with our and our operating subsidiaries' current policies and practices. New laws, regulations, and other government directives in the PRC may also be costly to comply with, and such compliance or any associated inquiries or investigations or any other government actions may: • delay or impede our operating subsidiaries' development; • result in negative publicity or increase our operating subsidiaries' operating costs; • require significant management time and attention; and • subject our operating subsidiaries to remedies, administrative penalties and even criminal liabilities that may harm our operating subsidiaries' business, including fines assessed for our operating subsidiaries' current or historical operations, or demands or orders that our operating subsidiaries modify or even cease our operating subsidiaries' business practices. We are aware that recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in certain areas in the PRC with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China- based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti- monopoly enforcement. Since these statements and regulatory actions are new, it is highly regulated by uncertain how soon the PRC legislative or administrative regulation making bodies will respond or what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, or what the potential impact that any such modified or new laws and regulations would have on our operating subsidiaries' daily business operation, the ability to accept foreign investments and list on an U. S. or the other foreign exchange. The PRC government may intervene or influence our operating subsidiaries' operations at any time and may exert more control over offerings conducted overseas and foreign investment in China- based issuers, which may result in a material change in our operating subsidiaries' operations and / or the value of our ordinary shares. Any legal or regulatory changes that restrict or otherwise unfavorably impact our operating subsidiaries' ability to conduct their business could decrease demand for their services, reduce revenues, increase costs, require our operating subsidiaries to obtain more licenses, permits, approvals or certificates, or subject them to additional liabilities. To the extent any new or more stringent measures are implemented, our operating subsidiaries' business, financial condition and results of operations could be adversely affected, and the value of our ordinary shares could decrease or become worthless. If the PRC government chooses to exert more oversight and control over offerings that are conducted overseas and / or foreign investment in China based issuers, such action may significantly limit or completely hinder our ability to offer or continue to offer ordinary shares to investors and cause the value of our ordinary shares to significantly decline or be worthless. Recent statements by the PRC government have indicated ~~and~~ an ~~local~~ intent to exert more oversight and control over offerings conducted overseas and / or over foreign investments in China- based issuers. On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued a document to crack down on illegal activities in the securities market and promote the high- quality development of the capital market, which, among other things, requires the relevant governmental authorities to strengthen cross- border oversight of law- enforcement and judicial cooperation, to enhance supervision over China- based companies listed overseas, and to establish and improve the system of extraterritorial application of the PRC securities laws. On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises, or the Trial Measures, which became effective on March 31, 2023. See “ — The CSRC has released the Trial Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the “ Trial Measures ”). With such rules in effect, the Chinese government may exert more oversight and control over offerings that are conducted overseas and foreign investment in China- based issuers, which could significantly limit or completely hinder our ability to continue to offer our securities to investors and could cause the value of our securities to significantly decline or become worthless. ” On December 28, 2021, the CAC, the NDRC, and several other administrations jointly adopted and published the new Measures for Cybersecurity Review (“ New Measures ”), which came into effect on February 15, 2022. See “ — Shanghai Xianzhui may become subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. Shanghai Xianzhui may be required to suspend its business, be liable for improper use or appropriation of personal information provided by our customers and face other penalties. ” As of the date of this report, it is the opinion of our PRC counsel, Junjin Law Firm, that our PRC operating subsidiaries have received all requisite permissions or approvals to operate the business and no such permissions or approvals have been denied. It is also the opinion of our PRC counsel, Junjin Law Firm, that except for the business license mentioned in “ Item 1. Business – Governmental Regulations in the PRC – Regulations on Business License ” in this report, our PRC operating subsidiaries are not required to obtain any other permissions and maintain certain licenses or approvals from different any Chinese authorities to operate the business. It is the further opinion of our PRC counsel, Junjin Law Firm, that no relevant PRC laws or regulations in effect require that we obtain permission from any PRC authorities to issue securities to foreign investors, and we have not received any inquiry,

notice, warning, sanction, or any regulatory objection from the CSRC, the CAC, or any other PRC authorities that have jurisdiction over our operations. See “Item 1. Business – Governmental Regulations in order the PRC – Regulations on Mergers & Acquisitions and Overseas Listings” and “– Regulations on Cybersecurity Review” in this report. However, applicable laws and regulations may be tightened, and new laws or regulations may be introduced to impose additional government approval, license, and permit requirements. If (i) we or our subsidiaries do not receive or maintain all such required permissions or approvals to operate our their respective current businesses-- business. These licenses and, (ii) we or our subsidiaries inadvertently conclude that such permissions or approvals are essential not required, or (iii) applicable laws, regulations, or interpretations change and we are required to obtain such permissions or approvals in the future, we may face sanctions, including fines and penalties, by the CAC, CSRC, or the other PRC regulatory agencies, our PRC subsidiaries’ ability to pay dividends outside of the PRC could be limited, our operation-operations of their businesses could be adversely affected, directly for- or example indirectly, we could be required to restructure our operations to comply with such regulations or potentially cease operations in the PRC entirely, our ability to offer, or continue to offer, securities to investors could be significantly limited or completely hindered and the value of our securities might significantly decline or be worthless. The unwinding and disposal of our previous VIE structure may not be liability - free and added telecommunication business carried out by Shanghai Xianzhui. If Shanghai Xianzhui fails to obtain or maintain any of the required licenses or approvals for its business, we may be seemed to be in violation of PRC laws regulating our industry and operations. We cannot assure you that the unwinding and disposal of the VIE structures in the PRC will not give rise to dispute or liability. We cannot guarantee that we will not continue to be subject to various penalties PRC regulatory inspection and / or review, such especially when there remains significant uncertainty as fines to the scope and manner of the regulatory enforcement. If we become subject to regulatory inspection and / or review by the CSRC, the CAC or other PRC authorities, or are required by the them discontinuation or restriction of to take any specific actions, its - it could cause suspension or termination of the future offering of our securities, disruptions to our operations. Any such disruption in the business operations of Shanghai Xianzhui could materially and adversely affect our business, result in negative publicity regarding our company, and divert our managerial and financial resources condition and results of operations-.

Risks Related to Our Business and Industry If we are unable to continuously entice TikTok users to participate in our live streaming channels and increase their spending on our platforms, including e- commerce and gaming, it could have significant consequences on our business and operational results. The viability of our business largely depends on TikTok users engaging with our live streaming channels, which includes our live streaming e- commerce and gaming platforms. Our revenue is generated through product purchases, e- gift or token transactions with our live hosts, and purchase of the in- game items. To increase user spending, we must diversify our e- commerce product catalog, expand the range of live streaming games, increase the frequency of live streaming sessions, and collaborate with key opinion leaders (KOLs) to increase product sales. If we fail to attract new TikTok users or increase their average spending, it could have a significant negative impact on our business, financial stability, and operational performance. The success of our business relies on the brand recognition of our subsidiary, AI Catalysis. Failing to maintain and improve this recognition could have consequences for our business prospects. Our success heavily relies on the market recognition of our brands and reputation. As our subsidiary, AI Catalysis, was recently incorporated in 2023, it lacks significant market familiarity. Therefore, our ability to enhance and maintain brand recognition depends on various factors, some of which are beyond our control. Allocating excessive resources to marketing and promotional efforts could have a significant and negative impact on our business and operational results. Additionally, any negative publicity about our company, products, services, or content offerings could decrease customer and user interest, which could adversely affect our business and operational performance. If we are unable to effectively implement our growth strategies, it could have a negative impact on our profitability and significantly harm our business and operational results. Our current strategy for business growth involves expanding our product and game offerings, as well as increasing the number of live streamers and their unique styles. This will allow us to increase the frequency of live broadcasts, making it easier for TikTok users to discover our live streams at any time, whether during peak or off- peak hours, and encourage them to make purchases or play games within our live streams. However, adding new games and recruiting new live streamers requires careful due diligence and numerous steps. This can be challenging, whether recruiting locally in the United States or internationally, as we must ensure they meet our high live streaming standards and can work with our schedules. Similarly, introducing new products on the e- commerce side requires research, quality control, international logistics, listing, video creation, and promotional efforts, all of which take time. Both aspects of our business are subject to external factors that can extend our timelines. Prolonged timelines can impede our business growth and potentially reduce our sales. Competition in our business segments poses a significant threat, and if we are unable to compete effectively, we risk losing our market share or failing to gain additional market share, which could adversely affect our profitability. Currently, the competition among users engaged in live- streaming e- commerce and live- streaming games on TikTok is not particularly intense. This is because the TikTok e- commerce and live- streaming gaming sectors have been operational for less than a year, making them relatively new markets. In comparison to many Asian countries, competition on TikTok is not as fierce at this stage. However, it is undeniable that more users and capital will increasingly enter these two sectors in the future. We are not only contending with competition from similar ventures on the TikTok platform but also facing competition from e- commerce and gaming platforms outside of TikTok, striving to capture market share. Furthermore, many TikTok users have not yet developed the habit of online shopping or mobile gaming on the TikTok platform. This factor adds complexity to our initial efforts in establishing brand recognition. We have engaged in collaborations with business partners, and we may pursue further collaborations and strategic partnerships in the future. However, there is no guarantee that we will realize the benefits of these collaborations or that they will be successful. We are actively pursuing strategic partnerships and collaborations with business entities that we believe will improve our competitiveness and promote business growth. However, the expected revenue and cost synergies from both current and future

collaborations and partnerships may not materialize as anticipated. Additionally, our involvement in the emerging industry sector, characterized by developing technologies and nascent collaborative networks, introduces greater uncertainties. If our business collaborations prove unsuccessful, it could have a negative impact on our business prospects and operational results. We may encounter infringement claims by third parties for information on or linked to our platforms, which could disrupt our normal business operations, manage our reputation and cause us to incur substantial legal costs. When engaging in brand and product promotion on TikTok, we often collaborate with other KOLs on the platform who feature our products or brand in their videos. However, during this process, we cannot guarantee that they will not inadvertently misrepresent our products. Furthermore, if these KOLs engage in any form of misconduct or infringement, it may indirectly impact our brand reputation, and the extent of this damage is difficult to quantify. Any significant loss has the potential to harm our reputation, result in financial losses, or ultimately affect our operations. Our reputation and operations may be adversely impacted by employee misconduct. There is a risk of employee misconduct, which includes failure to comply with government regulations, engaging in unauthorized activities, misrepresenting our products in marketing activities, and improper use of product information. Employee misconduct could damage our reputation, which could significantly impact our business. We may not be able to prevent employee misconduct, and the measures we take to prevent and deter it may not be effective. We **do not** have limited insurance coverage. We do not have insurance coverage. We've evaluated the risks associated with potential business disruptions, liabilities, loss or damage to our fixed assets (such as equipment and office furniture), the associated insurance costs, and the challenges of obtaining such coverage on commercially reasonable terms. Based on this assessment, it is not commercially practical for us to secure comprehensive insurance coverage for these risks. These circumstances could adversely impact our financial results. We may be unable to gain any significant market acceptance for our products and services or be unable to establish a significant market presence. Our growth strategy for is substantially dependent upon our ability to market our intended products and services successfully to prospective clients. Our intended products and services may not achieve significant market acceptance. If acceptance is achieved, it may not be sustained for any significant period of time. Failure of our intended products and services to achieve or sustain market acceptance could have a material adverse effect on our business, financial conditions and the results of our operations. The e-commerce market witnessed substantial growth over the past two years due to the COVID- 19 pandemic. However, with the pandemic's eventual resolution and the return to normalcy, the rate of market expansion is expected to decelerate. It could have a negative impact on our profitability and significantly harm our business and operational results. The e-commerce market has experienced remarkable growth and transformation over the last two years, driven primarily by the unprecedented impact of the COVID- 19 pandemic. The pandemic reshaped consumer behavior, accelerating the adoption of online shopping, digital payments, and contactless transactions. This surge in e-commerce activity was nothing short of remarkable, with businesses and consumers alike rapidly adapting to this new digital landscape. During the height of the pandemic, e-commerce became an essential lifeline for many, offering convenience and safety when traditional brick-and-mortar retail faced restrictions and concerns. This growth wasn't limited to any particular sector; it spanned across industries, from retail giants to small businesses, and it showcased the resilience and adaptability of the e-commerce ecosystem. However, as the world gradually progresses toward a post-pandemic era, the e-commerce landscape is poised for a shift. The exponential growth rates witnessed during the height of the pandemic are likely to decelerate. It could then have a negative impact on our profitability and significantly harm our business and operational results. There is risk of e-commerce fraud, and if that occurs, it could have a negative impact on our profitability and significantly harm our business and operational results. Online retailers are subject to risk of e-commerce fraud in 2023. To mitigate this ongoing threat, prioritizing fraud prevention measures is crucial. These measures may include routine security audits, the implementation of an Address Verification Service (AVS), and the use of Hypertext Transfer Protocol Secure (HTTPS). E-commerce fraud is evolving, with fraudsters employing more sophisticated methods. The growth in the e-commerce fraud detection and prevention market reflects the increasing urgency in addressing this risk. The e-commerce fraud is a multifaceted risk that demands constant attention. We may need to prevent and to mitigate this persistent threat, protecting our financial interests and the trust of their customers, and if the fraud occurs, it could have a negative impact on our profitability and significantly harm our business and operational results. Given our significant reliance on the TikTok platform for various business functions, including inventory management, client services, and live streaming channels for both of our e-commerce and ~~livestreaming games~~, any downtime experienced by TikTok could significantly impact our operations. In the ever-evolving digital landscape, where businesses heavily depend on various online platforms, the risk of platform downtime looms as a substantial concern. Our company have cultivated a significant reliance on the TikTok platform, which serves as the backbone for a multitude of our critical business functions. These functions encompass inventory management, client services, and the live streaming channels that underpin both our e-commerce activities and live streaming ~~games~~. Consequently, any downtime experienced by TikTok, whether due to planned maintenance or unforeseen technical issues, can significantly impact our operations. AI technologies are constantly evolving. Any flaws or inappropriate usage of AI Technologies could have negative impact on our business and reputation. AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by society. The industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new solutions, continual shifts in users demands and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to constantly anticipate the emergence of new technologies and assess their market acceptance. Our financial and operating performance may be adversely affected by general economic conditions, natural catastrophic events, epidemics, and public health crises that impact the virtual content production industry. Our operating results will be subject to fluctuations based on general economic conditions, in particular those conditions that impact the metaverse industry. Deterioration in economic conditions could cause decreases in both volume and

reduce and / or negatively impact our short- term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact our results of operations. Our business is subject to the impact of natural catastrophic events such as earthquakes, floods or power outages, political crises such as terrorism or war, and public health crises, such as disease outbreaks, epidemics, or pandemics in the U. S. and global economies, our markets and business locations. Similarly, natural disasters, wars (including the potential of war), terrorist activity (including threats of terrorist activity), social unrest and heightened travel security measures instituted in response, and travel- related accidents, as well as geopolitical uncertainty and international conflict, will affect travel volume and may in turn have a material adverse effect on our business and results of operations. In addition, we may not be adequately prepared in contingency planning or recovery capability in relation to a major incident or crisis, and as a result, our operational continuity may be adversely and materially affected, which in turn may harm our reputation. As a “ smaller reporting company ” under applicable law, we will be subject to lessened disclosure requirements. Such reduced disclosure may make our common stock less attractive to investors. For as long as we remain an “ smaller reporting company ” as defined in Rule 405 of the Securities Act and Item 10 of the Regulation S- K, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “ smaller reporting companies ”, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the ability to include only two years of audited financial statements and only two years of related management’ s discussion and analysis of financial condition and results of operations disclosure. Because of these lessened regulatory requirements, our stockholders would be left without information or rights available to stockholders of more mature companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. Any cybersecurity- related attack, significant data breach or disruption of the information technology systems, infrastructure, network, third- party processors or platforms on which we rely could damage our reputation and adversely affect our business and financial results. Our operations rely on information technology systems for the use, storage and transmission of sensitive and confidential information with respect to our customers, our employees and other third parties. A malicious cybersecurity- related attack, intrusion or disruption by either an internal or external source or other breach of the systems on which our platform and products operate, and on which our employees conduct business, could lead to unauthorized access to, use of, loss of or unauthorized disclosure of sensitive and confidential information, disruption of our services, viruses, worms, spyware, or other malware being served from our platform, networks, or systems; and resulting regulatory enforcement actions, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair sales and harm our business. Cyberattacks and other malicious internet- based activity continue to increase, and cloud- based platform providers of products and services have been and are expected to continue to be targeted. In addition to traditional computer “ hackers, ” malicious code (such as viruses and worms), phishing, employee theft or misuse and denial- of- service attacks, sophisticated nation- state and nation- state supported actors now engage in attacks (including advanced persistent threat intrusions). Cyberattacks may also gain publishing access to our customers’ accounts on our platform, using that access to publish content without authorization. As of December 31, 2023, we have not identified any risks from known cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. We plan to develop and implement information securities policies and incident response plans to evaluate, identify, and handle material risks associated with cybersecurity threats. However, it is not feasible, as a practical matter, for us to entirely mitigate these risks. If our security measures are compromised as a result of third- party action, employee, customer, or user error, malfeasance, stolen or fraudulently obtained log- in credentials or otherwise, our reputation would be damaged, our data, information or intellectual property, or those of our customers and our customers’ consumers, may be destroyed, stolen or otherwise compromised, our business may be harmed and we could incur significant liability. We have not always been able in the past, and may be unable in the future to anticipate or prevent techniques used to obtain unauthorized access to or compromise of our systems because they change frequently and are generally not detected until after an incident has occurred. We also cannot be certain that we will be able to prevent vulnerabilities in our software or address vulnerabilities that we may become aware of in the future. Risks Related to Our Securities The price of our common stock could be subject to rapid and substantial volatility. Such volatility, including any stock run- ups, may be unrelated to our actual or expected operating performance and financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock. Volatility in our common stock price may subject us to securities litigation. The market for our common stock may have, when compared to seasoned issuers, significant price volatility and we expect that the price of our shares of common stock may continue to be more volatile than that of a seasoned issuer for the indefinite future. As a relatively small- capitalization company with a relatively small public float, we may experience greater share price volatility, extreme price run- ups, lower trading volume, and less liquidity than large- capitalization companies. In particular, our common stock may be subject to rapid and substantial price volatility, low volumes of trades, and large spreads in bid and ask prices. Such volatility, including any stock run- ups, may be unrelated to our actual or expected operating performance and financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock. In addition, if the trading volumes of our common stock are low, persons buying or selling in relatively small quantities may easily influence the price of our common stock. This low volume of trades could also cause the price of our common stock to fluctuate greatly, with large percentage changes in price occurring in any trading day session. Holders of our common stock may also not be able to readily liquidate their investment or may be forced to sell at depressed prices due to low volume trading. Broad market fluctuations and general economic and political conditions may also adversely affect the market price of our common stock. As a result of this volatility, investors may experience losses on their investment in our common stock. A decline in the market

price of our common stock also could adversely affect our ability to issue additional common stock or other securities and our ability to obtain additional financing in the future. No assurance can be given that an active market in our common stock will develop or be sustained. If an active market does not develop, holders of our common stock may be unable to readily sell the shares they hold or may not be able to sell their shares at all. In addition, in the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities to the Company and could divert our management's attention and resources. We will need additional capital in the future. If additional capital is not available, we may not be able to continue to operate our business pursuant to our business plan or we may have to discontinue our operations entirely. Raising additional capital by issuing shares may cause dilution to existing shareholders. We are currently authorized to issue 200,000,000 shares of common stock. As of ~~April 1, 2024~~ **March 12, 2025**, we had ~~7,12,887~~ **282,411,894** shares of common stock issued and outstanding. We will require additional capital in the future. We have incurred losses in each year since our inception. If we continue to use cash at our historical rates of use we will need significant additional financing, which we may seek through a combination of private and public equity offerings, debt financings and collaborations and strategic and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms of any such offerings may include liquidation or other preferences that may adversely affect the then existing shareholders rights. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring debt or making capital expenditures. If we raise additional funds through collaboration, strategic alliance or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that are not favorable to us. Future sales of our common stock could reduce the market price of the common stock. Substantial sales of our common stock may cause the market price of our common stock to decline. Sales by us or our security holders of substantial amounts of our common stock, or the perception that these sales may occur in the future, could cause a reduction in the market price of our common stock. The issuance of any additional shares of our common stock or any securities that are exercisable for or convertible into our common stock, may have an adverse effect on the market price of the common stock and will have a dilutive effect on our existing shareholders and holders of common stock. We do not know whether a market for the common stock will be sustained or what the trading price of the common stock will be and as a result it may be difficult for you to sell your shares. Although our common stock ~~trade~~ **trades** on Nasdaq, an active trading market for the common stock may not be sustained. It may be difficult for you to sell your shares without depressing the market price for the common stock. As a result of these and other factors, you may not be able to sell your shares. Further, an inactive market may also impair our ability to raise capital by selling common stock, or may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares as consideration. We have no plans to pay dividends on our shares, and you may not receive funds without selling the shares. We have not declared or paid any cash dividends on our common stock, nor do we expect to pay any cash dividends on our common stock for the foreseeable future. We currently intend to retain any additional future earnings to finance our operations and growth and, therefore, we have no plans to pay cash dividends on our common stock at this time. Any future determination to pay cash dividends on our common stock will be at the discretion of our board of directors and will be dependent on our earnings, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our board of directors deems relevant. Accordingly, you may have to sell some or all of the shares in order to generate cash from your investment. You may not receive a gain on your investment when you sell the shares and may lose the entire amount of your investment. A possible "short squeeze" due to a sudden increase in demand of our common stock that largely exceeds supply may lead to additional price volatility. Historically there has not been a large short position in our common stock. However, in the future investors may purchase shares of our common stock to hedge existing exposure or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent an aggregate short exposure in our common stock becomes significant, investors with short exposure may have to pay a premium to purchase shares for delivery to share lenders at times if and when the price of our common stock increases significantly, particularly over a short period of time. Those purchases may in turn, dramatically increase the price of our common stock. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to our business prospects, financial performance or other traditional measures of value for the Company or its common stock. In the event that our common stocks are delisted from Nasdaq, U. S. broker- dealers may be discouraged from effecting transactions in our common stocks because they may be considered penny stocks and thus be subject to the penny stock rules. The SEC has adopted a number of rules to regulate " penny stock " that restricts transactions involving stock which is deemed to be penny stock. Such rules include Rules 3a51- 1, 15g- 1, 15g- 2, 15g- 3, 15g- 4, 15g- 5, 15g- 6, 15g- 7, and 15g- 9 under the Exchange Act. These rules may have the effect of reducing the liquidity of penny stocks. " Penny stocks " generally are equity securities with a price of less than \$ 5. 00 per share (other than securities registered on certain national securities exchanges or quoted on Nasdaq if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our common stocks could be considered to be a " penny stock " within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U. S. broker- dealers may discourage such broker- dealers from effecting transactions in our common stocks, which could severely limit the market liquidity of such common stocks and impede their sale in the secondary market. A U. S. broker- dealer selling a penny stock to anyone other than an established customer or " accredited investor " (generally, an individual with a net worth in excess of \$ 1, 000, 000 or an annual income exceeding \$ 200, 000, or \$ 300, 000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker- dealer or the transaction is otherwise exempt. In addition, the " penny stock " regulations require the U. S. broker- dealer to deliver, prior to any transaction involving

a “ penny stock ”, a disclosure schedule prepared in accordance with SEC standards relating to the “ penny stock ” market, unless the broker- dealer or the transaction is otherwise exempt. A U. S. broker- dealer is also required to disclose commissions payable to the U. S. broker- dealer and the registered representative and current quotations for the securities. Finally, a U. S. broker- dealer is required to submit monthly statements disclosing recent price information with respect to the “ penny stock ” held in a customer’ s account and information with respect to the limited market in “ penny stocks ”. The market for “ penny stocks ” has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker- dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) “ boiler room ” practices involving high- pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker- dealers; and (v) the wholesale dumping of the same securities by promoters and broker- dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker- dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. **55**