

CreateAI Holdings Inc.

Condensed Consolidated Financial Statements

As of December 31, 2024 and March 31, 2025 and
For the Three-Month Period Ended March 31, 2024 and March 31, 2025

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CreateAI Holdings Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	December 31, 2024	March 31, 2025
Assets		
Current assets		
Cash and cash equivalents	\$ 224,787	\$ 213,866
Restricted cash, current	174,000	174,000
Short-term investments	140,393	122,065
Prepaid expenses and other current assets	9,201	10,775
Total current assets	548,381	520,706
Produced and licensed content costs	5,766	5,831
Property and equipment, net	3,949	3,972
Operating lease right-of-use assets	16,328	15,584
Long-term investments	10,333	10,467
Restricted cash, noncurrent	1,111	1,111
Other assets	7,156	7,308
Total assets	\$ 593,024	\$ 564,979
Liabilities and Stockholders' Equity		
Current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiaries of \$11,268 and \$12,011 as of December 31, 2024 and March 31, 2025, respectively)		
Accounts payable	\$ 5,706	\$ 5,581
Amounts due to joint development partners	3,176	3,176
Accrued expenses and other current liabilities	187,657	181,595
Operating lease liabilities, current	6,336	6,176
Total current liabilities	202,875	196,528
Operating lease liabilities, noncurrent	17,954	16,458
Other liabilities	447	447
Total liabilities	221,276	213,433
Commitments and contingencies (Note 4)		
Stockholders' equity		
Common Stock, \$0.0001 par value, 4,876,000,000 Class A shares authorized as of December 31, 2024 and March 31, 2025; 208,618,399 and 217,277,149 Class A shares issued and outstanding as of December 31, 2024 and March 31, 2025, respectively; 24,000,000 Class B shares authorized, issued and outstanding as of December 31, 2024 and March 31, 2025, respectively	22	22
Additional paid-in capital	2,617,023	2,618,921
Accumulated other comprehensive loss	(780)	(568)
Accumulated deficit	(2,244,517)	(2,266,829)
Total stockholders' equity	371,748	351,546
Total liabilities and stockholders' equity	\$ 593,024	\$ 564,979

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

CreateAI Holdings Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2024	2025
Revenue	\$ —	\$ —
Cost of revenue	—	—
Gross loss	—	—
Operating expenses:		
Research and development	19,212	15,012
Selling, general and administrative	41,916	11,185
Total operating expenses	61,128	26,197
Loss from operations	(61,128)	(26,197)
Interest income	8,047	3,129
Other (expense) income, net	(487)	638
Loss before provision for income taxes and share of income from equity method investments	(53,568)	(22,430)
Provision for income taxes	—	—
Share of income from equity method investments, net of tax	—	118
Net loss	\$ (53,568)	\$ (22,312)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.23)	\$ (0.09)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	233,741,055	235,234,717

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

CreateAI Holdings Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	2025
Net loss	(53,568)	(22,312)
Other comprehensive income (loss), net of tax:		
Unrealized net (loss) gain on available-for-sale securities	(413)	221
Foreign currency translation adjustment	409	(9)
Comprehensive loss	<u>\$ (53,572)</u>	<u>\$ (22,100)</u>

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

CreateAI Holdings Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance as of December 31, 2023	230,500,114	\$ 22	\$ 2,610,706	\$ (901)	\$ (1,890,240)	\$ 719,587
Issuance of common stock from release of RSUs	1,755,828	—	—	—	—	—
Stock-based compensation	—	—	2,321	—	—	2,321
Unrealized loss on available-for-sale debt securities, net	—	—	—	(413)	—	(413)
Foreign currency translation adjustment	—	—	—	409	—	409
Net loss	—	—	—	—	(53,568)	(53,568)
Balance as of March 31, 2024	<u>232,255,942</u>	<u>\$ 22</u>	<u>\$ 2,613,027</u>	<u>\$ (905)</u>	<u>\$ (1,943,808)</u>	<u>\$ 668,336</u>

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CreateAI Holdings Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance as of December 31, 2024	232,618,399	\$ 22	\$ 2,617,023	\$ (780)	\$ (2,244,517)	\$ 371,748
Issuance of common stock from release of RSUs	8,658,750	—	—	—	—	—
Stock-based compensation	—	—	1,898	—	—	1,898
Unrealized gain on available-for-sale debt securities, net	—	—	—	221	—	221
Foreign currency translation adjustment	—	—	—	(9)	—	(9)
Net loss	—	—	—	—	(22,312)	(22,312)
Balance as of March 31, 2025	<u>241,277,149</u>	<u>\$ 22</u>	<u>\$ 2,618,921</u>	<u>\$ (568)</u>	<u>\$ (2,266,829)</u>	<u>\$ 351,546</u>

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

CreateAI Holdings Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	2025
Cash flows from operating activities:		
Net loss	\$ (53,568)	\$ (22,312)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	2,321	1,898
Depreciation and amortization	1,206	616
Noncash operating lease expense	1,141	733
Accretion of discount on short-term investments, net	(1,709)	(324)
Share of income from equity method investments	—	(118)
Other adjustments	(201)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	4,681	(677)
Produced and licensed content costs	—	(61)
Other assets	543	(167)
Accounts payable	(1,817)	(125)
Accrued expenses and other current liabilities	52	(6,062)
Operating lease liabilities	(1,947)	(1,648)
Other liabilities	(1)	—
Net cash used in operating activities	(49,299)	(28,247)
Cash flows from investing activities:		
Purchases of short-term investments	(95,440)	(5,021)
Proceeds from maturities of short-term investments	90,857	23,895
Payment of loan to a third party	—	(697)
Purchases of property and equipment and other assets	(40)	(638)
Proceeds from disposal of property and equipment	389	—
Net cash (used in) provided by investing activities	(4,234)	17,539
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	415	(213)
Net decrease in cash, cash equivalents, and restricted cash	(53,118)	(10,921)
Cash, cash equivalents, and restricted cash - beginning of period	194,232	399,898
Cash, cash equivalents, and restricted cash - end of period	\$ 141,114	\$ 388,977

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

CreateAI Holdings Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	2025
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	\$ 139,503	\$ 213,866
Restricted cash, current	500	174,000
Restricted cash, noncurrent	1,111	1,111
Total cash, cash equivalents and restricted cash	<u>\$ 141,114</u>	<u>\$ 388,977</u>

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

CreateAI Holdings Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

CreateAI Holdings Inc. (“CreateAI” or the “Company”) is an applied artificial intelligence (“AI”) technology company headquartered in San Diego, California, with operations in the United States (“U.S.”) and Asia-Pacific region (“APAC”).

Since its founding in 2015, the Company has developed AI solutions primarily for autonomous driving. In August 2024, CreateAI announced the expansion into generative AI for video game and anime production. The Company changed its name to CreateAI Holdings Inc. on December 11, 2024.

Strategic Shift

On December 4, 2023, the Company announced that it is winding down its U.S. autonomous driving operations, including through sales of U.S. assets, and a strategic shift to APAC.

On August 14, 2024, the Company announced its new business direction focusing on generative AI applications in video game and anime development. In December 2024, the Company announced its official rebranding to CreateAI and major advancements in its new strategic initiatives. Despite the shift, the Company remains committed to enabling autonomous driving, pursuing an asset-light strategy through partnerships and licensing.

Consolidated Variable Interest Entities

In order to comply with the People’s Republic of China (“PRC”) laws and regulations which prohibit or restrict foreign control of companies involved in provision of online game and other restricted businesses, the Company conducts its businesses in the PRC through a variable interest entity (the “VIE”) by entering into a series of contractual arrangements (the “VIE Agreements”) with the VIE and the equity holders of VIE (the “Nominee Shareholders”). The Company through one of its subsidiaries, Shanghai Xiong Xiong Animation Technology Co., LTD (“Shanghai Xiong Xiong”), controls one VIE, namely Beijing Xiong Xiong Dream Factory Culture Co., Ltd. (“Beijing Xiong Xiong”) by entering into the VIE Agreements on September 12, 2024. The Company is the ultimate primary beneficiary of the VIE as the Company has the power to direct matters that most significantly impact the activities of the VIE, and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. As such, the Company consolidated the financial results of the VIE in the Company’s consolidated financial statements. The assets of VIE are only available to settle the obligations and the liabilities of the VIE and are without recourse to the Company.

The following table represents the assets and liabilities of VIE before eliminating the intercompany balances (in thousands):

	As of	
	December 31, 2024	March 31, 2025
Assets		
Current assets		
Cash and cash equivalents	\$ 827	\$ 758
Prepaid expenses and other current assets	39	702
Total current assets	866	1,460
Long-term investments	10,333	10,467
Other assets	656	706
Total assets	\$ 11,855	\$ 12,633
Liabilities		
Current liabilities		
Amounts due to the other entities within CreateAI	11,268	11,284
Accrued expenses and other current liabilities	—	727
Total current liabilities	\$ 11,268	\$ 12,011
Total liabilities	\$ 11,268	\$ 12,011

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements (“Financial Statements”) have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. The Financial Statements include the accounts of the Company, its consolidated subsidiaries and its consolidated VIE. All significant intercompany balances and transactions have been eliminated in consolidation. These Financial Statements should be read in conjunction with the audited consolidated financial statements and notes as of and for the year ended December 31, 2024.

The condensed consolidated balance sheet as of December 31, 2024 was derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by GAAP. In management’s opinion, the accompanying Financial Statements reflect all normal recurring adjustments necessary for their fair presentation. Other than described below, there have been no changes to the Company’s significant accounting policies described in the Financial Statements for the year ended December 31, 2024 that have had a material impact on the Company’s Financial Statements.

Note 2. Investments and Fair Value Measurements

Investments

Investments on the condensed consolidated balance sheets consisted of the following (in thousands):

	As of March 31, 2025						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value	Cash and Cash Equivalents	Short-term Investments
Available-for-sale debt securities:							
Commercial paper	\$ 20,922	\$ 5	\$ (3)	\$ —	\$ 20,924	\$ —	\$ 20,924
Corporate debt securities	101,143	46	(48)	—	101,141	—	101,141
Total	\$ 122,065	\$ 51	\$ (51)	\$ —	\$ 122,065	\$ —	\$ 122,065

As of December 31, 2024

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value	Cash and Cash Equivalents	Short-term Investments
Available-for-sale debt securities:							
U.S. treasury securities	\$ 12,482	\$ 4	\$ —	\$ —	\$ 12,486	\$ —	\$ 12,486
Commercial paper	20,696	—	(30)	—	20,666	—	20,666
Corporate debt securities	107,437	8	(204)	—	107,241	—	107,241
Total	\$ 140,615	\$ 12	\$ (234)	\$ —	\$ 140,393	\$ —	\$ 140,393

The fair value and amortized cost of the Company's debt securities with a stated contractual maturity or redemption date were as follows (in thousands):

	As of March 31, 2025	
	Amortized Cost	Fair Value
Due in one year or less	\$ 91,989	\$ 91,967
Due in one year through five years	30,076	30,098
Total	\$ 122,065	\$ 122,065

The Company purchases investment grade marketable debt securities rated by nationally recognized statistical credit rating organizations in accordance with its investment policy, which is designed to minimize the Company's exposure to credit losses. The Company regularly reviews its investment portfolios to determine if any investment is impaired due to changes in credit risk or other potential valuation concerns.

As of December 31, 2024 and March 31, 2025, investments in an unrealized loss position for which an allowance for credit losses has not been recognized had an aggregate fair value of \$111.6 million and \$58.4 million, respectively. None of these investments were in a continuous unrealized loss position for more than twelve months. The Company does not intend to sell these investments until the recovery of their amortized cost basis or maturity and further believes that it is not more-likely-than-not that it will be required to sell these investments. The unrealized losses were primarily related to changes in interest rates, market spreads, and market conditions subsequent to purchase. The Company believes none of these debt securities were impaired due to credit risk or other valuation concerns, and, therefore, did not record a credit loss or an allowance for credit losses.

Interest income from cash and cash equivalents and short-term investments was \$8.0 million and \$3.1 million for the three months ended March 31, 2024 and 2025, respectively.

Fair Value Measurements

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation (in thousands):

As of March 31, 2025				
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	\$ 5,684	\$ 5,684	\$ —	\$ —
Total cash equivalents	\$ 5,684	\$ 5,684	\$ —	\$ —
Short-term investments:				
Commercial paper	\$ 20,924	\$ —	\$ 20,924	\$ —
Corporate debt securities	101,141	—	101,141	—
Total short-term investments	\$ 122,065	\$ —	\$ 122,065	\$ —
Total	\$ 127,749	\$ 5,684	\$ 122,065	\$ —

As of December 31, 2024				
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	\$ 137,251	\$ 137,251	\$ —	\$ —
Total cash equivalents	\$ 137,251	\$ 137,251	\$ —	\$ —
Short-term investments:				
U.S. treasury securities	\$ 12,486	\$ 12,486	\$ —	\$ —
Commercial paper	20,666	—	20,666	—
Corporate debt securities	107,241	—	107,241	—
Total short-term investments	\$ 140,393	\$ 12,486	\$ 127,907	\$ —
Total	\$ 277,644	\$ 149,737	\$ 127,907	\$ —

Note 3. Balance Sheet Components

Produced and licensed content costs

Produced content costs as of December 31, 2024 and March 31, 2025 were as follows (in thousands):

As of March 31, 2025			
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Produced content:			
In development or pre-production	\$ 5,831	\$ —	\$ 5,831
Total produced content costs	<u>\$ 5,831</u>	<u>\$ —</u>	<u>\$ 5,831</u>
Current portion			\$ —
Noncurrent portion			<u>\$ 5,831</u>

As of December 31, 2024			
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Produced content:			
In development or pre-production	\$ 5,766	\$ —	\$ 5,766
Total produced content costs	<u>\$ 5,766</u>	<u>\$ —</u>	<u>\$ 5,766</u>
Current portion			\$ —
Noncurrent portion			<u>\$ 5,766</u>

As of December 31, 2024 and March 31, 2025, the Company does not have licensed content. The amortization and impairment of produced content costs were both nil for the three months ended March 31, 2024 and 2025, respectively.

Property and Equipment, Net

Property and equipment, net as of December 31, 2024 and March 31, 2025, were as follows (in thousands):

	As of	
	December 31, 2024	March 31, 2025
Electronic equipment	\$ 811	\$ 1,214
Office and other equipment	951	955
Vehicles	10	10
Leasehold improvements	9,637	9,871
Construction in progress	21	—
Property and equipment, gross	11,430	12,050
Accumulated depreciation and amortization	(7,481)	(8,078)
Property and equipment, net	<u>\$ 3,949</u>	<u>\$ 3,972</u>

Depreciation and amortization expense was \$1.2 million and \$0.6 million for the three months ended March 31, 2024 and 2025, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2024 and March 31, 2025 were as follows (in thousands):

	As of	
	December 31, 2024	March 31, 2025
Shareholder securities litigation settlement	\$ 174,000	\$ 174,000
Accrued payroll	5,353	3,068
Accrued professional fees	3,155	3,700
Accrued CEO Bonus ⁽¹⁾	3,667	—
Advance from related party	—	697
Other	1,482	130
Accrued expenses and other current liabilities	<u>\$ 187,657</u>	<u>\$ 181,595</u>

- (1) In June 2024, the Compensation Committee approved a retention bonus to CEO with a total amount of \$15.0 million for his continuous services provided with respect to the Company and his efforts related to the Committee on Foreign Investments in the United States (“CFIUS”) investigation settlement and ongoing litigations, and signing of amended severance and change of control agreement with removal of certain terms (the “CEO Bonus”). The CEO Bonus is paid in installments for a period no longer than eight months. For the year ended December 31, 2024, CEO Bonus amounting to \$15.0 million was included in selling, general and administrative in the consolidated statements of operations. As of March 31, 2025, the CEO Bonus has been fully paid.

Leases

The balances for the operating leases where the Company is the lessee are presented in the condensed consolidated balance sheets as follows (in thousands):

	As of	
	December 31, 2024	March 31, 2025
Operating leases:		
Operating lease right-of-use assets	<u>\$ 16,328</u>	<u>\$ 15,584</u>
Operating lease liabilities, current	\$ 6,336	\$ 6,176
Operating lease liabilities, noncurrent	17,954	16,458
Total operating lease liabilities	<u>\$ 24,290</u>	<u>\$ 22,634</u>

The components of lease expense were as follows (in thousands):

	Three Months Ended March 31,	
	2024	2025
Operating lease expense:		
Operating lease expense ⁽¹⁾	\$ 2,052	\$ 1,555
Total lease expense	<u>\$ 2,052</u>	<u>\$ 1,555</u>
Sublease income:	<u>\$ 289</u>	<u>\$ 317</u>

- (1) Includes short-term leases and variable lease costs, which are immaterial.

Other information related to leases where the Company is the lessee is as follows:

	Three Months Ended March 31,	
	2024	2025
Weighted-average remaining lease term:		
Operating leases	7.7 years	6.2 years
Weighted-average discount rate:		
Operating leases	4.4%	7.6%

Supplemental cash flow information related to leases where the Company is the lessee is as follows (in thousands):

	Three Months Ended March 31,	
	2024	2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,411	\$ 2,046

As of March 31, 2025, the maturities of the Company's operating lease liabilities (excluding short-term leases) are as follows (in thousands):

	Operating Leases
2025	\$ 5,689
2026	7,077
2027	6,109
2028	2,299
2029	2,138
Thereafter	8,576
Total minimum lease payments	31,888
Less: lease incentives receivable ⁽¹⁾	(558)
Less: imputed interest	(8,696)
Present value of minimum lease payments	22,634
Less: current portion	6,176
Lease obligations, noncurrent	\$ 16,458

(1) Lease incentives receivable represents amounts relating to the Company's leasehold improvements that will be paid by the landlord pursuant to lease provisions with relevant landlord.

Long-term investments

Long-term investments as of December 31, 2024 and March 31, 2025 were as follows (in thousands):

	As of	
	December 31, 2024	March 31, 2025
Equity method investments	\$ 10,333	\$ 10,467
Total	\$ 10,333	\$ 10,467

The carrying amount of the Company's equity method investments were \$10.3 million and \$10.5 million as of December 31, 2024 and March 31, 2025, respectively. As of March 31, 2025, the carrying amount of the Company's equity method investments exceeded the Company's proportionate share of the carrying amount of the investees' underlying net assets by approximately \$7.6 million based on the March 31, 2025 spot exchange rate, which substantially relates to equity method goodwill and is not amortized as a basis difference. The investments had been approved by the Company.

For equity method investments, the Company considers if the investment is impaired when events or circumstances suggest the carrying amount may not be recoverable, and recognizes any impairment charge in the consolidated statements of operations and comprehensive income for a decline in value that is determined to be other than temporary. For the three months ended March 31, 2025, the impairment recognized for equity method investments was nil.

Note 4. Commitments and Contingencies

Indemnification Obligations

The Company has entered into indemnification agreements with its officers, directors, and certain current and former employees, and its certificate of incorporation and bylaws contain certain indemnification obligations. It is not possible to make a reasonable estimate of the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Additionally, the Company has a limited history of prior indemnification claims, and the payments it has made under such agreements have not had a material adverse effect on its results of operations, cash flows, or financial position. However, to the extent that valid indemnification claims arise in the future, future payments by the Company could be significant and could have a material adverse effect on its results of operations or cash flows in a particular period.

Payroll Protection Program (“PPP”) Loan

In April 2020, the Company received loan proceeds in the amount of \$4.1 million under the Small Business Administration (“SBA”) Paycheck Protection Program established under Section 1102 of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act. The loan accrued interest at a rate of 1.0% per annum and originally matured in 24 months. All of the proceeds of the PPP Loan were used by the Company to pay eligible payroll costs and the Company maintained its headcount and otherwise complied with the terms of the PPP Loan.

In October 2020, the Company applied for forgiveness of the PPP Loan and corresponding accrued interest, which was approved by the SBA in June 2021, resulting in a gain on loan extinguishment of \$4.2 million. Under the PPP, the SBA reserves the right to audit any PPP loan forgiveness application for a period of six years from the date of loan forgiveness.

Litigation and Legal Proceedings

Except as described below, the Company believes it is not presently a party to any litigation the outcome of which, if determined adversely against the Company, would individually or in the aggregate have a material adverse effect on the Company’s business, financial condition, cash flows, or results of operations.

Shareholder Securities Litigation

On August 31, 2022, a securities class action (the “August 2022 Action”) complaint was filed, in the United States District Court for the Southern District of California, against the Company and certain of its current and former directors and officers (Xiaodi Hou, Mo Chen, Cheng Lu, Patrick Dillon, and James Mullen), and the underwriters who underwrote its IPO, on behalf of a putative class of stockholders who acquired its securities from April 15, 2021, through August 1, 2022. The August 2022 Action is captioned: *Dicker v. TuSimple Holdings, Inc. et al.*, 3:22-cv-01300-BEN-MSB (S. D. Cal.). The complaint filed in the August 2022 Action alleged, among other things, that the Company and certain of its current and former directors and officers violated Sections 11 and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act by making materially false or misleading statements, or failing to disclose information it was required to disclose, regarding the Company’s autonomous driving technology. The complaint sought unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including reasonable attorneys’ fees.

On November 10, 2022, a second securities class action (the “November 2022 Action”) complaint was filed in the United States District Court for the Southern District of New York against the Company and certain of its current and former directors and officers (Xiaodi Hou, Mo Chen, Cheng Lu, Eric Tapia, Patrick Dillon, and James Mullen), and the underwriters who underwrote its IPO, on behalf of a putative class of stockholders who acquired its securities from April 15, 2021, through October 31, 2022. The November 2022 Action was originally captioned: *Woldanski v. TuSimple Holdings, Inc., et al.*, 1:22-cv-09625-AKH (S.D.N.Y.). The complaint in the November 2022 Action alleged, among other things, that the Company and certain of its

current and former directors and officers violated Sections 11, 12(a), and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act, by making false or misleading statements, or failing to disclose information it was required to disclose, regarding the Company's related party transaction with Hydron, Inc. ("Hydron") and the Company's sharing of confidential information and proprietary technology with Hydron without approval from the Company's Board of Directors. The complaint sought unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including reasonable attorneys' fees. The November 2022 Action was transferred to the Southern District of California and was re-captioned: *Woldanski v. TuSimple Holdings, Inc., et al.*, 3:23-cv-00282-BEN-MSB (S. D. Cal.).

On March 28, 2023, the Company made a motion to consolidate the August 2022 Action and November 2022 Action. The Court granted the motion and consolidated the August 2022 Action and November 2022 Action on July 20, 2023.

On October 2, 2023, the plaintiffs filed a consolidated and amended complaint (the "Amended Complaint") against the Company and certain of its current and former directors and officers (Guowei "Charles" Chao, Xiaodi Hou, Mo Chen, Bonnie Yi Zhang, Cheng Lu, Patrick Dillon, Brad Buss, and Karen C. Francis) and the underwriters who underwrote its IPO, containing similar claims as asserted in the complaints filed in the August 2022 and November 2022 Actions. The Amended Complaint alleges, among other things, that the Company and certain of its current and former directors and officers violated Sections 11, 12, and 15 of the Securities Act, Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5, by making false or misleading statements, or failing to disclose information it was required to disclose, regarding the Company's related party transactions with Hydron, Inc. ("Hydron"), the sharing of confidential information and proprietary technology with Hydron without approval from the Company's board of directors, the Company's safety profile, and certain of the Company's risk factors.

On August 26, 2024, the Parties agreed to settle the Consolidated Action for \$189.0 million, without any admission of liability or wrongdoing. The Court approved the settlement and entered judgment on December 18, 2024.

The Company recorded an expense of \$174.0 million in selling, general and administrative in the consolidated statements of operations for the year ended December 31, 2024 and shareholder securities litigation settlement in accrued expenses and other current liabilities in the consolidated balance sheets based on the amount born by the Company. The Company also recorded the \$174.0 million in escrow account in restricted cash, current in the consolidated balance sheets. The remaining \$15.0 million was covered by insurance.

There was no material update since the date that the 2024 Financial Statements were issued.

Shareholder Derivative Actions

On November 28, 2022, a shareholder derivative action was filed in the Delaware Court of Chancery by a stockholder purportedly on behalf of the Company against certain of its current and former directors and officers (Xiaodi Hou, Mo Chen, Brad Buss, Karen Francis, Michelle Sterling, and Reed Warner) and Hydron alleging, among other things, that certain of the Company's current and former directors and officers breached their fiduciary duties to the Company in connection with a related party transaction with Hydron: *Nusbaum v. Hou et al.*, 2022-1095-PAF (Del. Ch.). The shareholder derivative action also alleged breaches of fiduciary duties against certain of the Company's current and former directors and officers in connection with the restructuring of the Company's Board of Directors.

On December 15, 2022, a second shareholder derivative action was filed in the Delaware Court of Chancery by a stockholder purportedly on behalf of the Company against certain of its current and former directors and officers (Xiaodi Hou, Mo Chen, Cheng Lu, Patrick Dillon, Eric Tapia, James Mullen, Brad Buss, Charles Chao, Karen Francis, Michelle Sterling, Reed Werner, and Bonnie Zhang) alleging similar claims to the action filed on November 28, 2022: *Young v. Hou et al.*, 2022-1157-PAF (Del. Ch.). The second shareholder derivative action additionally asserted, among other things, claims regarding the safety of the Company's technology and alleged inadequacy of the Company's internal controls.

On March 6, 2023, a third shareholder derivative action was filed in the Delaware Court of Chancery by a stockholder purportedly on behalf of the Company against certain of its current and former directors and officers (Xiaodi Hou, Brad Buss, Mo Chen, Charles Chao, Karen Francis, Wendy Hayes, Cheng Lu, James Lu, Michael Mosier, Michelle Sterling, Reed Werner, and Bonnie Zhang), alleging similar claims to the actions filed on November 28, 2022, and December 15, 2022: *Wolfson v. Hou et al.*, 2023-0279-PAF (Del. Ch.). The stockholder has since purported to voluntarily dismiss her action.

On March 9, 2023, the Company made a motion to consolidate all of the above shareholder derivative actions. The Court granted the motion and consolidated the shareholder derivative actions on May 5, 2023. A consolidated complaint was filed on July 24, 2023, against certain of its current and former directors and officers (Xiaodi Hou, Mo Chen, Brad Buss, Karen C. Francis, Reed Werner), Hydron, and the Company as nominal defendant, containing substantially the same claims as asserted in the complaint filed in *Nusbaum v. Hou et al.*, 2022-1095-PAF (Del. Ch.).

On August 17, 2023, the Delaware Court of Chancery entered an order staying the consolidated action through February 9, 2024, pending an investigation by a special litigation committee formed by the Board of Directors to assess and determine whether the pursuit of derivative claims asserted in the consolidated action would be in the Company's best interests; the Board previously delegated to the committee its authority to take all actions advisable, appropriate, and in the best interests of the Company and its shareholders with respect to the pending shareholder derivative litigation.

On December 22, 2023, a federal shareholder derivative action (the "Wilhoite Action") was filed in the United States District Court for the Southern District of California by stockholders purportedly on behalf of the Company against certain of its current and former directors and officers (Xiaodi Hou, Mo Chen, Cheng Lu, Charles Chao), Hydron, and TuSimple as nominal defendant, alleging violations of the Defend Trade Secrets Act of 2016, the California Uniform Trade Secrets Act, and civil conspiracy for the alleged transfer to Hydron of TuSimple trade secrets: *Wilhoite v. Hou et al.*, 3:23-cv-02333-BEN-MSB (S.D. Cal.).

On December 17, 2024, the Parties in the Consolidation Action and the Wilhoite Action agreed to settle both Actions for \$42.5 million, without any admission of liability or wrongdoing. The Plaintiffs moved for approval of the settlement on December 19, 2024 in the United States District Court for the Southern District of California. On April 17, 2025, the Court preliminarily approved the settlement and set a final approval hearing for July 9, 2025.

On February 18, 2025, Camac Fund, L.P. ("Camac"), a stockholder of the Company, filed in the Delaware Chancery Court a derivative action on behalf of the Company against certain of its current and former directors and officers (Mo Chen, Cheng Lu, Jianan Hao, James Lu, Albert Schultz, Zhen Tao, Charles Chao), and Sina Corporation, and naming the Company as nominal defendant: *Camac Fund, L.P. v. Chen et al.*, No. 2025-0181-PAF (Del. Ch.) ("Camac Fund Action"). The Camac Fund Action alleges that defendants breached their fiduciary duties and wasted corporate assets by refocusing the Company's business on animation and videogaming, causing the Company to engage in certain transactions with alleged related parties, and making alleged misrepresentations concerning the Company's corporate strategy, operations, and utilization of assets.

On April 11, 2025, Camac filed a motion to expedite proceedings and a motion for a temporary restraining order that would restrict the Company from transferring more than \$1.0 million abroad each month. The Court denied both motions on April 28, 2025.

The Company is unable to estimate the potential loss or range of loss, if any, associated with this, or any similar, lawsuit, which could be material.

Delaware Court of Chancery Voting Agreement Litigation

On November 22, 2024, two entities beneficially owned by Dr. Xiaodi Hou, White Marble LLC and White Marble International Limited ("White Marble"), filed an action in the Delaware Court of Chancery against the Company and Mo Chen, a director and stockholder of the Company. See *White Marble LLC v. Chen*, C.A. No. 2024-1208-PAF (Del. Ch.). The action alleges that the Company's proxy materials for the 2024 annual stockholder meeting contain false and misleading statements about the November 9, 2022, Voting Agreement by and between Mr. Chen and White Marble. The action seeks a declaratory judgment that the Voting Agreement expired on November 9, 2024, and that Mr. Chen lost his right to vote the shares beneficially owned by Dr. Hou and White Marble covered by the Voting Agreement, which shares account for approximately 29.7% of the voting power of all outstanding shares of the Company. On November 22, 2024, White Marble also moved for expedited proceedings and a temporary restraining order enjoining the Company from conducting its annual meeting scheduled for December 20, 2024, until the Court adjudicates the Voting Agreement controversy. The Court ordered briefing on White Marble's motion to expedite. Defendants did not oppose expedition, and on November 27, 2024, the Court held a telephonic hearing on the motion and granted expedition. The Company informed the Court that it is neutral as to the dispute between Dr. Hou and Mr. Chen as to the merits of the Voting Agreement controversy. The parties then engaged in negotiations for a proposed status quo order to resolve White Marble's motion to enjoin the Company's annual meeting. The parties submitted competing proposed status quo orders to the Court on December 9, 2024. The Court entered a status quo order on December 13, 2024, which substantially reflected the proposed order submitted by the Company and allowed the Company's annual meeting to proceed as

scheduled on December 20, 2024. On January 6, 2025, White Marble filed an amended complaint that does not name the Company as a defendant. The action remains pending against Mr. Chen as the sole defendant. Trial on the action is scheduled to be held on May 14 and 15, 2025.

There was no material update since the date that the 2024 Financial Statements were issued.

The Company is unable to estimate the potential loss or range of loss, if any, associated with this, or any similar, lawsuit, which could be material.

Regulatory Investigations

CFIUS

On February 18, 2022, the Company, together with certain related companies, entered into a national security agreement (the “NSA”) with the CFIUS, represented by the U.S. Department of the Treasury and the U.S. Department of Defense, as the CFIUS Monitoring Agencies (“CMAs”). The NSA was entered into in order to resolve certain risks to the national security of the United States that were identified by CFIUS in connection with the March 1, 2017 and April 4, 2017 indirect acquisition of assets of TuSimple LLC, by the Company. On November 10, 2022, Dr. Xiaodi Hou and Mr. Mo Chen, exercising their rights as significant the Company shareholders, removed the Company’s four independent directors, including the NSA-mandated Security Director. Following the removal of the independent directors, the position of Security Director as well as the Government Security Committee (“GSC”) of the Company board of directors temporarily became vacant. The CMAs subsequently notified the Company that the CMAs had commenced an investigation regarding whether the removal of the Company independent directors—including the Security Director and the directors occupying the GSC—constituted a violation of the NSA. The CMAs later issued a notice of penalty alleging that the removal of the independent directors constituted a violation of the NSA.

The CMAs also notified the Company that they had commenced an investigation as to whether the Company had transferred “Covered IP”, which includes a category of the Company intellectual property that is subject to certain restrictions under the NSA, to third parties in the course of the Company’s communications with those parties, resulting in violations of material provisions of the NSA. At no point did the CMAs issue a notice of penalty based on this investigation.

On May 17, 2024, the Company and the CMAs entered into a settlement agreement under which the Company agreed to pay a fine of \$6.0 million and additional fine of \$2.5 million if transfer of Covered IP is not certified as required in order to resolve the alleged violations related to removal of the Company independent directors in November 2022 as well as the investigation related to the Company Covered IP. The agreement did not involve any admission by the Company that the conduct under investigation violated the NSA.

The Company recorded an expense of \$6.0 million in selling, general and administrative in the consolidated statements of operations for the year ended December 31, 2024. As of December 31, 2024, the transfer of Covered IP has been certified as required, therefore the Company did not accrue the \$2.5 million fine in its consolidated financial statements.

There was no material update since the date that the 2024 Financial Statements were issued.

Securities and Exchange Commission Investigation

In December 2022, the Staff of the Division of Enforcement of the U.S. Securities and Exchange Commission (the “SEC”) began an investigation of the Company regarding (1) a potential related party transaction between the Company and a company called Hydron (f/k/a Turing Auto), a company founded by a co-founder of the Company, and (2) potential information sharing between the U.S. and China that, if it was found to have occurred, would not have been permitted under the Company’s National Security Agreement (“NSA”) with the CFIUS. The Company conducted its own investigation into the potential related party transaction prior to the SEC Staff’s investigation, and on October 31, 2022, issued a Form 8-K stating that the value of the work performed for Hydron to consider a potential OEM relationship exceeded \$120,000 and constituted a related party transaction. The SEC’s investigation did not uncover anything beyond this announcement.

The SEC’s investigation was also focused on whether, as part of the Hydron relationship, the Company shared certain intellectual property with China that would not have been permitted under the Company’s NSA with CFIUS. However, this work was consistent with the standard type of work the Company did while considering other OEM partners, and there is no evidence

that the Company shared intellectual property covered by the NSA. Additionally, the Company entered into a non-disclosure agreement with Hydron in June 2022.

The Company understands that, during its investigation, the SEC Staff also issued subpoenas to Patrick Dillon (the Company's former CFO), Cheng Lu (the Company's CEO), Eric Tapia (the Company's former CFO), Yinan (Vivian) Sun (the Company's former VP of Business Development), and KPMG (the Company's former accounting firm). The SEC Staff may have issued subpoenas to other entities and/or individuals of which the Company is not aware.

On August 30, 2024, the Company and the SEC Staff reached an agreement in principle, and the Company signed an Offer of Settlement. The settlement agreement awaits Commission review and approval, and the timing for the conclusion of the matter is currently unknown. The Company recorded an expense of \$1.0 million in selling, general and administrative in the consolidated statements of operations based on the agreement.

There was no material update since the date that the 2024 Financial Statements were issued.

U.S. Customs and Border Protection ("CBP")

In November 2023, the Company shipped Nvidia A100 chips to its subsidiary in Australia. The Company confirmed the U.S. export classification and exportability of A100 chips with Sandler, Travis & Rosenberg (ST&R), a U.S. based international trade law firm, prior to the shipment of the chips. The Company, through its legal office, represented to ST&R that the chips would be for internal Company use in Australia. ST&R reviewed the technical specification information for the chips and confirmed that they could be exported to Australia without a U.S. export license as authorized by 15 CFR 742.6(a)(6).

U.S. Customs and Border Protection ("CBP") later on performed a seizure on the Nvidia A100 chips. The Company submitted a petition in March 2024, CBP confirmed the receipt of the petition and requested for information and documentation related to the shipment in May 2024. The Company submitted the response in July 2024 and CBP issued a determination in February 2025 denying the Company's petition of relief. The Company subsequently submitted an appeal in April 2025.

Anonymous Shareholder Letter

On July 30, 2024, the Company received an anonymous letter (the "Anonymous Letter") from a purported shareholder with concerns about management's approach to the Company's new AI-Generated Content ("AIGC") expansion and an alleged diversion of assets to China. The Anonymous Letter raised the following three concerns: (1) that management may have redirected resources from autonomous driving toward animation and AIGC without proper disclosure to the Board and shareholders, (2) that the Company's AIGC expansion may have been motivated by management or director self-dealing, and (3) that the Company may have improperly diverted assets to China for non-business purposes.

The Company engaged outside counsel to review these issues, and after a thorough investigation, outside counsel and the Company's Audit Committee determined that the concerns raised in the Anonymous Letter were unfounded. As announced on August 14, 2024, the Company has been working to leverage its existing technology by exploring new business opportunities in animation and AIGC. Based on outside counsel's review, the Audit Committee determined that no further action was required.

There was no material update since the date that the 2024 Financial Statements were issued.

CreateAI v. Bot Auto Inc.

CreateAI Holdings, Inc. v. Bot Auto TX, Inc., No. 24-BC11A-00007 (Tex. Bus. Ct.—Houston Div.): CreateAI Holdings, Inc. has brought claims for, among other claims, misappropriation of trade secrets against Bot Auto TX, Inc. The action is presently in discovery with a scheduled trial date of March 2026.

There was no material update since the date that the 2024 Financial Statements were issued.

Note 5. Stock-Based Compensation

Equity Compensation Plans

The Company maintains three equity compensation plans that provide for the issuance of shares of its Class A common stock to its employees, directors, and consultants: the 2017 Share Plan (the “2017 Plan”), the 2021 Equity Incentive Plan (the “2021 Plan”), and the 2021 Employee Stock Purchase Plan (the “2021 ESPP”), which have all been approved by the board of directors. Following the Company’s initial public offering (“IPO”) in 2021, the 2017 Plan was terminated but continues to govern the terms and conditions of the outstanding awards previously granted under the 2017 Plan. Subsequent to the IPO, the Company has only issued awards under the 2021 Plan and the 2021 ESPP. These plans provide for the issuance of restricted stock awards (“RSAs”), restricted stock units (“RSUs”), share value awards (“SVAs”), stock appreciation rights (“SARs”), and other awards.

In February 2023, the Company suspended the 2021 ESPP.

Stock Options

A summary of the stock option activity, including the 2021 CEO Performance Award, for the three months ended March 31, 2025 is as follows (in thousands, except share amounts, per share amounts, and years):

	Options Outstanding	Weighted- Average Exercise Price	Weighted- Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2024	402,939	\$ 16.22	5.73	\$ —
Exercised				
Cancelled/Forfeited	(10,500)	—		
Outstanding at March 31, 2025	392,439	\$ 16.66	5.85	\$ —
Vested and exercisable at March 31, 2025	369,939	\$ 15.19	5.81	\$ —

As of March 31, 2025, there was \$0.3 million of unrecognized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a weighted-average service period of 0.4 years.

RSUs

The following table summarizes the activity related to RSUs for the three months ended March 31, 2025:

	RSUs Outstanding	Weighted- Average Grant Date Fair Value per Share
Unvested and Outstanding at December 31, 2024	21,686,694	\$ 0.59
Granted	39,254	0.45
Vested	(2,921,526)	0.94
Cancelled	(766,352)	0.26
Unvested and outstanding at March 31, 2025	18,038,070	\$ 0.54
Vested and outstanding at March 31, 2025	1,855,194	\$ 10.12

RSAs

The following table summarizes the activity related to RSAs for the three months ended March 31, 2025:

	RSAs Outstanding	Weighted- Average Grant Date Fair Value per Share
Unvested and Outstanding at December 31, 2024	2,200,000	\$ 0.24
Granted	10,000,000	0.40
Vested	—	—
Cancelled	—	—
Unvested and outstanding at March 31, 2025	12,200,000	\$ 0.37
Vested and outstanding at March 31, 2025	—	\$ —

SVAs

There was no activity related to SVAs for the three months ended March 31, 2025, the SVAs vested and outstanding at March 31, 2025 was nil.

As of March 31, 2025, there was \$11.8 million of unrecognized stock-based compensation expense related to RSUs and RSAs, which is expected to be recognized over a weighted-average service period of 2.5 years.

2021 CEO Performance Award

In March 2021, included in the stock options discussed above, the Company granted 1,150,000 stock option awards to Cheng Lu, its former and current CEO, with an exercise price of \$14.14 per share and a contractual life of ten years that vest upon the attainment of both operational milestones (performance conditions) and market conditions, assuming continued employment as CEO through the vesting date (the “2021 CEO Performance Award”). In March 2022, the Company underwent a change in CEO and the 2021 CEO Performance Award was cancelled in connection with the separation of Cheng Lu as CEO. As a result, the Company reversed the historical stock-based compensation expense attributable to the 2021 CEO Performance Award of \$7.1 million.

In connection with the March 2022 separation of Cheng Lu as CEO, a total of 1,850,000 time-based stock options were modified, of which 440,000 were vested as of the modification date. The terms of the modification allowed for continued vesting of the unvested stock options during the twelve-month period following Cheng Lu’s separation date on March 3, 2022 (“Transition Period”), subject to the provision of advisory services throughout the Transition Period. Upon the completion of such continuous services, all stock options subject to vesting would become vested and exercisable. Each of the modified stock options, including those vested and outstanding as of the modification date were to remain outstanding and exercisable until the earlier of: (x) the date on which any of the Company’s outstanding stock options are terminated in connection with a corporate transaction, (y) the original expiration date applicable to such stock options, and (z) the second anniversary of the date on which the transition services with the Company are terminated. The Company determined the continuous service provisions were in-substance an acceleration of the unvested awards and the incremental cost related to the modified options was recorded immediately upon the separation date. Additionally, 175,000 outstanding and unvested RSUs were accelerated in full as of Cheng Lu’s separation date. As a result of these modifications, the Company recorded incremental stock compensation expense of \$13.9 million during the year ended December 31, 2022.

2022 CEO Awards

In November 2022, Cheng Lu was reappointed as the Company's CEO. In connection with the re-appointment, on December 14, 2022, the Company granted Cheng Lu 3,425,000 RSUs that vest annually over a period of four years (the "2022 CEO RSUs") and 3,425,000 RSUs that vest annually over a period of four years upon the attainment of market-based milestones (the "2022 CEO PSUs", together with 2022 CEO RSUs as the "2022 CEO Awards"). The market-based vesting requirements will be satisfied if the Company's average closing price over a 60-day trailing period exceeds certain thresholds at any time on or before November 10, 2026, as follows: (a) 33% of the units of stock will vest if such average closing price equals or exceeds \$10.00, (b) 33% of the units of stock will vest if such average closing price equals or exceeds \$15.00, and (c) 33% of the units of stock will vest if such average closing price equals or exceeds \$20.00. The 2022 CEO Awards were granted in exchange for the cancellation and forfeiture of Cheng Lu's 1,850,000 outstanding stock options (inclusive of the 2021 CEO Performance Award, as discussed above).

2024 CEO Modifications

On March 20, 2024, the Company granted Cheng Lu 8,658,750 RSUs that vest only upon the satisfaction of both time-based service and performance-based conditions in exchange for the cancellation of Cheng Lu's unvested and outstanding 2,568,750 RSUs under 2022 CEO RSUs (the "2024 March CEO Modification").

On November 22, 2024, the 2024 March CEO Modification was modified as follows: 1) Cheng Lu shall receive on or about November 22, 2024 an issuance of vested shares and unvested shares, such issued unvested shares will be subject to automatic forfeiture back to the Company for no purchase price payable to Cheng Lu if the underlying RSUs for such unvested shares are not subsequently vested and earned, 2) the RSUs are vested only upon the satisfaction of time-based service requirement, 33% of the RSUs will vest on the 12 month anniversary of the grant date and remaining 67% of the RSUs will vest in equal quarterly installments over a 24 month period (the "2024 November CEO Modification", together with 2024 March CEO Modification the "2024 CEO Modifications").

The Company accounted for the 2024 March CEO Modification as a Type II probable-to-improbable modification under ASC 718, Compensation-Stock Compensation ("ASC 718"). The 2024 March CEO Modification did not result in any incremental fair value at the modification date, the Company recognizes the unrecognized original grant-date fair value ratably over the modified service period.

The Company accounted for the 2024 November CEO Modification as a Type III improbable-to-probable modification under ASC 718. As a result of the 2024 November CEO Modification, the incremental stock compensation expense is approximately \$2.0 million, of which \$0.1 million of the incremental stock compensation expense was recognized during the year ended December 31, 2024. 8,658,750 shares under the 2024 CEO Modifications were issued as of March 31, 2025.

During the three months ended March 31, 2025, the Company recognized stock-based compensation expense of \$0.6 million, together for the 2022 CEO Awards, 2024 CEO Modifications and other CEO awards under 2021 Plan (collectively, the "CEO Awards"). As of March 31, 2025, there was a total of \$4.0 million unrecognized stock-based compensation expense, which will be recognized over a weighted-average service period of 2.2 years for the CEO Awards.

Stock-based Compensation Expense

Total stock-based compensation expense was as follows (in thousands):

	Three Months Ended March 31,	
	2024	2025
Research and development	\$ 654	\$ 580
Selling, general and administrative	1,667	1,318
Total stock-based compensation expense	\$ 2,321	\$ 1,898

Note 6. Income Taxes

The Company's effective tax rates for the three months ended March 31, 2024 and 2025 were 0%, respectively. Effective tax rates are lower than the U.S. federal rate of 21% and were primarily due to valuation allowances recorded on current year losses. As of March 31, 2025, the Company continues to maintain a full valuation allowance against its U.S. and foreign net deferred tax assets due to significant negative evidence, including cumulative losses in the most recent three-year period and the Company's assessment that it is not more likely than not that the net deferred tax assets will be realized.

Note 7. Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is calculated by dividing net loss attributable to common stockholders by the weighted-average shares of common stock outstanding for the period. Diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders for all years presented because the effects of potentially dilutive items were antidilutive given the Company's net loss in each period presented.

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2024	2025
Numerator:		
Net loss attributable to common stockholders, basic and diluted	\$ (53,568)	\$ (22,312)
Denominator:		
Weighted-average shares used in computing net loss per share, basic and diluted	233,741,055	235,234,717
Net loss per share:		
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.23)	\$ (0.09)

The following potentially dilutive outstanding shares were excluded from the computation of diluted net loss per share for the periods presented due to their antidilutive effect:

	As of March 31,	
	2024	2025
Options to purchase common stock	1,212,871	392,439
RSUs subject to future vesting	4,527,956	18,038,070
RSAs subject to future vesting	—	12,200,000
Total	5,740,827	30,630,509

Note 8. Segment Information

The following table provides information about the Company's segment and a reconciliation of consolidated loss before provision for income taxes and share of income from equity method investments to total segment Adjusted EBITDA, inclusive of significant segment expenses information provided to the chief operating decision maker ("CODM") (in thousands):

	Three Months Ended March 31,	
	2024	2025
Revenue	\$ —	\$ —
Less:		
Staff expense ⁽¹⁾	18,553	5,801
Other segment items ⁽²⁾	18,315	17,602
Total Segment Adjusted EBITDA	(36,868)	(23,403)
Reconciling item:		
Stock-based compensation expense ⁽³⁾	(2,404)	(1,898)
Depreciation and amortization ⁽³⁾	(1,206)	(616)
Restructuring expenses	(20,650)	(280)
Interest income	8,047	3,129
Other (expense) income, net	(487)	638
Loss before provision for income taxes and share of income from equity method investments	\$ (53,568)	\$ (22,430)

(1) Excludes stock-based compensation expense.

(2) Mainly includes amounts related to cloud storage & computing expenses, professional fee expenses, game development expenses and office expenses.

(3) Excludes amounts related to restructuring events, which are reflected in the "restructuring expenses" line item.

Geographic Information

	As of	
	December 31, 2024	March 31, 2025
U.S.	\$ 14,181	\$ 13,052
APAC	13,067	12,335
Total long-lived assets, net ⁽¹⁾	\$ 27,248	\$ 25,387

(1) Long-lived assets, net excludes intangible and financial assets.

Note 9. Related Party Transactions

The Company's significant related party transactions include transactions with: a) entities under common control, b) entities on which the Company has significant influence, c) entities controlled by or affiliated with the beneficial owners, directors, or executive officers of the Company, or d) other parties which have significant influence on the entities included in a), b) or c). The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Company entered into an intellectual property ("IP") transfer agreement with an affiliate of Guangzhou Sansanerchuan Culture Communication Co., Ltd. ("Guangzhou Sansan"), an equity investee of the Company, to transfer certain IP assets to the latter, for an amount of approximately \$0.7 million (originally settled at RMB 5.0 million) on December 2, 2024. The full amount was received in January 2025, and the transfer of IP ownership is expected to be completed in the second half of 2025.

The Company purchased game development outsourcing services from Guangzhou Sansan, with an amount of \$0.1 million in 2024, which has been fully paid in the first quarter of 2025.

The Company entered into a sublease agreement with Beijing Weijing Culture Development Co., Ltd., which is ultimately controlled by Sina Corporation through VIE structure. The sublease has a term of three years started from June 2024 and the total

contract amount was approximately \$0.4 million with original settlement currency in RMB amounting to 2.9 million. The price in the sublease contract was based on the price in the original lease between the Company and a third party. The sublease income was \$0.03 million for the three months ended March 31, 2025.

Note 10. Restructuring and Related Charges

During the fourth quarter of 2022 and the first half of 2023, the Board authorized various restructuring plans to rebalance the Company's cost structure in alignment with its strategic priorities (the "Restructuring Plans"). In connection with the Restructuring Plans, the Company incurred costs consisting primarily of cash expenditures for employee transition, notice period and severance payments, employee benefits and related costs, as well as non-cash charges of certain non-current assets.

The following tables present restructuring and related charges associated with the Restructuring Plans, by line item on the consolidated statement of operations (in thousands):

	Three Months Ended March 31,	
	2024	2025
Research and development	\$ 9,145	\$ 189
Selling, general and administrative	11,505	91
Total restructuring and related cost	\$ 20,650	\$ 280

The following table provides the components of and changes in the accrued restructuring and related charges during the three months ended March 31, 2024 and 2025 (in thousands):

	Severance and Other Termination Benefits	Long-Lived Asset Costs	Stock-based Compensation ⁽¹⁾	Contract Termination Settlements	Total
Balance as of December 31, 2024	\$ 27	\$ —	\$ —	\$ 1,168	\$ 1,195
Charges (Benefits)	177	—	—	103	280
Cash payments	(177)	—	—	(239)	(416)
Non-cash adjustments	—	—	—	(32)	(32)
Balance as of March 31, 2025	\$ 27	\$ —	\$ —	\$ 1,000	\$ 1,027

	Severance and Other Termination Benefits	Long-Lived Asset Costs	Stock-based Compensation ⁽¹⁾	Contract Termination Settlements	Total
Balance as of December 31, 2023	\$ 4,743	\$ —	\$ —	\$ —	\$ 4,743
Charges (Benefits)	11,725	(129)	(83)	9,137	20,650
Cash payments	(14,879)	—	—	(807)	(15,686)
Non-cash adjustments	—	129	83	(8,330)	(8,118)
Balance as of March 31, 2024	\$ 1,589	\$ —	\$ —	\$ —	\$ 1,589

(1) Related to reversal of stock-based compensation expense due to modification of equity awards.

Note 11. Subsequent Events

The Company has evaluated all events or transactions that occurred after the balance sheet date up to the date that the Financial Statements were issued, and determined that there were no subsequent events or transactions that require recognition or disclosure in the consolidated financial statements, except for those disclosed within Note 4. Commitments and Contingencies.