

# CreateAI Holdings Inc.

## Condensed Consolidated Financial Statements

As of December 31, 2024 and September 30, 2025 and  
For the Three and Nine Months Ended September 30, 2024 and September 30, 2025

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

	December 31, 2024	September 30, 2025
<b>Assets</b>		
Current assets (including amounts of the consolidated VIEs without recourse from the primary beneficiaries of \$866 and \$1,383 as of December 31, 2024 and September 30, 2025, respectively)		
Cash and cash equivalents	\$ 224,787	\$ 266,696
Restricted cash, current	174,000	1,111
Short-term investments	140,393	38,288
Prepaid expenses and other current assets	9,201	5,849
Total current assets	548,381	311,944
Produced and licensed content costs	5,766	6,929
Property and equipment, net	3,949	8,999
Operating lease right-of-use assets	16,328	15,688
Long-term investments	10,333	12,789
Restricted cash, noncurrent	1,111	—
Other assets	7,156	8,350
Total assets	\$ 593,024	\$ 364,699
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of \$11,268 and \$16,123 as of December 31, 2024 and September 30, 2025, respectively)		
Accounts payable	\$ 5,706	\$ 2,949
Amounts due to joint development partners	3,176	3,176
Accrued expenses and other current liabilities	187,657	7,394
Operating lease liabilities, current	6,336	6,657
Total current liabilities	202,875	20,176
Operating lease liabilities, noncurrent	17,954	14,862
Other liabilities	447	467
Total liabilities	221,276	35,505
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 September 30, 2025; 208,618,399 and 217,471,060 Class A shares issued and outstanding as of December 31, 2024 and September 30, 2025, respectively; 24,000,000 Class B shares authorized, issued and outstanding as of December 31, 2024 and September 30, 2025, respectively	22	22
Additional paid-in capital	2,617,023	2,621,702
Accumulated other comprehensive loss	(780)	(39)
Accumulated deficit	(2,244,517)	(2,292,491)
Total stockholders' equity	371,748	329,194
Total liabilities and stockholders' equity	\$ 593,024	\$ 364,699

*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)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>
Revenue	\$ —	\$ 34	\$ —	\$ 47
Cost of revenue	—	485	—	968
Gross loss	—	(451)	—	(921)
Operating expenses:				
Research and development	10,597	13,502	46,400	44,387
Selling, general and administrative	197,066	6,772	267,602	30,124
Total operating expenses	207,663	20,274	314,002	74,511
Loss from operations	(207,663)	(20,725)	(314,002)	(75,432)
Interest income	5,889	3,065	21,587	9,075
Other income (expense), net	286	9,932	(97)	18,508
Loss before provision for income taxes and share of loss from equity method investments	(201,488)	(7,728)	(292,512)	(47,849)
Provision for income taxes	—	—	—	—
Share of loss from equity method investments, net of tax	—	(157)	—	(125)
Net loss	\$ (201,488)	\$ (7,885)	\$ (292,512)	\$ (47,974)
Net loss attribute to noncontrolling interest	185	—	185	—
Net loss attribute to CreateAI Holdings Inc.	(201,303)	(7,885)	(292,327)	(47,974)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.86)	\$ (0.03)	\$ (1.25)	\$ (0.20)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	234,450,013	243,407,531	234,185,565	240,669,451

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>
Net loss	(201,488)	(7,885)	(292,512)	(47,974)
Other comprehensive income (loss), net of tax:				
Unrealized net gain on available-for-sale securities	936	46	563	228
Foreign currency translation adjustment	301	44	836	513
Comprehensive loss	<u>\$ (200,251)</u>	<u>\$ (7,795)</u>	<u>\$ (291,113)</u>	<u>\$ (47,233)</u>

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

	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Accumulated Deficit</b>	<b>Non- controlling Interests</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>					
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	232,255,942	\$ 22	\$ 2,613,027	\$ (905)	\$ (1,943,808)	\$ —	\$ 668,336
Stock-based compensation	—	—	1,064	—	—	—	1,064
Unrealized gain on available-for-sale debt securities, net	—	—	—	40	—	—	40
Foreign currency translation adjustment	—	—	—	126	—	—	126
Net loss	—	—	—	—	(37,456)	—	(37,456)
Balance as of June 30, 2024	232,255,942	\$ 22	\$ 2,614,091	\$ (739)	\$ (1,981,264)	\$ —	\$ 632,110
Stock-based compensation	—	—	1,487	—	—	—	1,487
Unrealized gain on available-for-sale debt securities, net	—	—	—	936	—	—	936
Foreign currency translation adjustment	—	—	—	301	—	—	301
Net loss	—	—	—	—	(201,303)	(185)	(201,488)
Balance as of September 30, 2024	232,255,942	\$ 22	\$ 2,615,578	\$ 498	\$ (2,182,567)	\$ (185)	\$ 433,346

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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	241,277,149	\$ 22	\$ 2,618,921	\$ (568)	\$ (2,266,829)	\$ 351,546
Issuance of common stock from release of RSUs	193,911	—	—	—	—	—
Stock-based compensation	—	—	1,790	—	—	1,790
Unrealized loss on available-for-sale debt securities, net	—	—	—	(39)	—	(39)
Foreign currency translation adjustment	—	—	—	478	—	478
Net loss	—	—	—	—	(17,777)	(17,777)
Balance as of June 30, 2025	241,471,060	\$ 22	\$ 2,620,711	\$ (129)	\$ (2,284,606)	\$ 335,998
Issuance of common stock from release of RSUs	—	—	—	—	—	—
Stock-based compensation	—	—	991	—	—	991
Unrealized gain on available-for-sale debt securities, net	—	—	—	46	—	46
Foreign currency translation adjustment	—	—	—	44	—	44
Net loss	—	—	—	—	(7,885)	(7,885)
Balance as of September 30, 2025	241,471,060	\$ 22	\$ 2,621,702	\$ (39)	\$ (2,292,491)	\$ 329,194

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

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2025</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (292,512)	\$ (47,974)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	4,872	4,679
Depreciation and amortization	2,466	1,009
Noncash operating lease expense	1,783	2,333
Accretion of discount on short-term investments, net	(3,860)	(787)
Share of loss from equity method investments	—	125
Loss on disposal of property and equipment	—	41
Other adjustments	912	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2,221)	2,598
Produced and licensed content costs	—	(1,176)
Other assets	131	(1,906)
Accounts payable	626	(2,757)
Accrued expenses and other current liabilities	161,810	(180,264)
Operating lease liabilities	(4,035)	(4,484)
Other liabilities	(48)	20
Net cash used in operating activities	(130,076)	(228,543)
<b>Cash flows from investing activities:</b>		
Purchases of short-term investments	(168,610)	(5,021)
Proceeds from maturities of short-term investments	563,747	108,141
Purchases of property and equipment and other assets	(175)	(5,226)
Purchase of long-term investments	(2,854)	(2,443)
Loan made to a related party	(714)	(697)
Receive repayment of loan from a related party	—	697
Proceeds from disposal of property and equipment and other assets	3,316	657
Net cash provided by investing activities	394,710	96,108
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,342	344
Net increase (decrease) in cash, cash equivalents, and restricted cash	265,976	(132,091)
Cash, cash equivalents, and restricted cash - beginning of period	194,232	399,898
Cash, cash equivalents, and restricted cash - end of period	\$ 460,208	\$ 267,807

*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)

	Nine Months Ended September 30,	
	2024	2025
<b>Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets:</b>		
Cash and cash equivalents	\$ 285,097	\$ 266,696
Restricted cash	175,111	1,111
Total cash, cash equivalents and restricted cash	<u>\$ 460,208</u>	<u>\$ 267,807</u>

**Supplemental schedule of non-cash investing and financing activities:**

Right-of-use assets obtained in exchange for operating lease obligations	\$ 1,076	\$ 1,382
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**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”) 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.

In 2025, the Company has built a motion capture studio spanning more than 2,000 square meters, enabling large-scale body and facial capture for film, AAA games, virtual production, and AI training.

***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 variable interest entities (the “VIEs”) by entering into a series of contractual arrangements (the “VIE Agreements”) with the VIEs and the equity holders of VIEs (the “Nominee Shareholders”). The Company through one of its subsidiaries, Shanghai Xiong Xiong Animation Technology Co., LTD (“Shanghai Xiong Xiong”), controls two VIEs, namely Beijing Xiong Xiong Dream Factory Culture Co., Ltd. (“Beijing Xiong Xiong”) and Beijing Dream Building Studio Culture Co., Ltd. (“Beijing Dream Building”). The key terms of the VIE Agreements in relation to the VIEs are substantially the same.

The Company is the ultimate primary beneficiary of the VIEs as the Company has the power to direct matters that most significantly impact the activities of the VIEs, and has the obligation to absorb losses or the right to receive benefits of the VIEs that could potentially be significant to the VIEs. As such, the Company consolidated the financial results of the VIEs in the Company’s consolidated financial statements. The assets of VIEs are only available to settle the obligations and the liabilities of the VIEs and are without recourse to the Company.

The following tables represent the financial information of VIEs before eliminating the intercompany balances and transactions between VIEs and other entities within the Company (in thousands):

	As of	
	December 31, 2024	September 30, 2025
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 827	\$ 1,348
Prepaid expenses and other current assets	39	35
Total current assets	866	1,383
Property and equipment, net	—	6
Long-term investments	10,333	12,789
Other assets	656	15
Total assets	\$ 11,855	\$ 14,193
<b>Liabilities</b>		
Current liabilities		
Amounts due to the other entities within CreateAI	11,268	15,266
Accrued expenses and other current liabilities	—	857
Total current liabilities	\$ 11,268	\$ 16,123
Total liabilities	\$ 11,268	\$ 16,123

	Nine Months Ended September 30,	
	2024	2025
Total expense	\$ —	\$ 3,033
Net loss	—	3,080
Net cash used in operating activities	—	(1,586)
Net cash used in investing activities	—	(2,443)
Net cash provided by financing activities	—	4,537

### ***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 VIEs. 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.

### ***Revenue Recognition***

There was no revenue generated in the three and nine months ended September 30, 2024. The Company earned revenue from the delivery of online AI video generation services since April 2025. Revenue is recognized when the customer obtains control of promised services in an amount that reflects the consideration the Company expects to receive in exchange for those services.

To determine revenue recognition within the scope of ASC 606, Revenue from Contracts with Customers (“ASC 606”), the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations

in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Company recognizes revenue based on the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Company is a principal and records revenue on a gross basis when the Company is primarily responsible for fulfilling the promise to provide the specified good or service, has discretion in establishing pricing and controls the promised goods or service before transferring that to customers. Otherwise, the Company records revenue at the net amounts as commissions.

Incremental costs of obtaining contracts are expensed as incurred if the amortization period of the assets is one year or less. These costs are included in cost of revenue in the consolidated statements of operations.

The recognition of revenues involves certain management judgments. The amount and timing of the Company's revenues could be different if management made different judgments or utilized different estimates.

#### *Revenue from online AI video generation services*

The Company offers online AI video generation services through Animon.com and Animon.ai ("Website"), primarily via membership subscription packages and sales of consumption-based services. The fees are collected upfront and non-refundable.

The subscription packages grant customers access to premium features on the Website. The subscription fees for these packages are primarily time-based from monthly to yearly. Each subscription package is accounted for as a single performance obligation and is recognized as revenue on a straight-line basis over the subscription period.

Consumption-based services provide customers with additional resources during AI video generation. The control has been transferred at time when the services are rendered. As a result, the performance obligation is satisfied and revenue is recognized at a point in time.

For the three and nine months ended September 30, 2025, revenue recognized from performance obligations satisfied in previous periods was nil.

#### *Contract balances*

Timing of revenue recognition may differ from the timing of payment. The Company records a contract asset when the revenue is recognized prior to receiving consideration from customer, or a contract liability when the revenue is recognized subsequent to receiving consideration from customer. A contract asset becomes a receivable once the Company's right to receive consideration becomes unconditional.

Contract assets is insignificant since the consideration is generally received before the satisfaction of performance obligations and was included in prepaid expenses and other current assets in the consolidated balance sheets.

Contract liabilities mainly represent receipt of subscription fees for online AI video generation services and was included in accrued expenses and other current liabilities in the consolidated balance sheets. Refer to Note 3. Balance Sheet Components for further information.

The additions to the contract liabilities balance were primarily due to consideration received or due in advance of satisfaction of the Company's performance obligations, while the reductions to the contract liabilities balance were primarily due to the recognition of revenues upon fulfillment of the Company's performance obligations, both of which were in the ordinary course of business. The changes in contract liabilities are reflected as follows (in thousands):

**Contract liabilities:**

Balance at December 31, 2024	\$	—
Revenue recognized that was included in the contract liability at beginning of the year		—
Increase (decrease) due to cash received, net with revenue recognized		11
Balance at September 30, 2025	\$	11

*Practical expedients*

The Company excludes sales taxes and other similar taxes from transaction price.

The Company does not disclose information about remaining performance obligations that have original expected durations of one-year or less.

**Cost of Revenue**

There was no cost of revenue recognized for the three and nine months ended September 30, 2024.

*Cost of revenue from online AI video generation services*

For the three and nine months ended September 30, 2025, cost of revenue consists primarily of server and bandwidth service fees, staff-related costs and other direct costs of providing these services. These costs are charged to the consolidated statements of operations as incurred.

**Note 2. Investments and Fair Value Measurements****Investments**

Investments of the following (in thousands):

		As of September 30, 2025					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-term Investments	
<b>Available-for-sale debt securities:</b>							
Commercial paper	\$ 17,410	\$ 1	\$ —	\$ 17,411	\$ —	\$ 17,411	
Corporate debt securities	20,871	6	—	20,877	—	20,877	
Total	\$ 38,281	\$ 7	\$ —	\$ 38,288	\$ —	\$ 38,288	
		As of December 31, 2024					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-term Investments	
<b>Available-for-sale debt securities:</b>							
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 September 30, 2025	
	Amortized Cost	Fair Value
Due in one year or less	\$ 38,281	\$ 38,288
Total	\$ 38,281	\$ 38,288

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 September 30, 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 \$14.9 million, respectively. Investments in a continuous unrealized loss position for more than twelve months for which an allowance for credit losses has not been recognized had an aggregate fair value of \$3.5 million. 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 \$5.9 million and \$21.6 million for the three and nine months ended September 30, 2024 respectively, and \$3.1 million and \$9.1 million for the three and nine months ended September 30, 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 September 30, 2025			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 20,702	\$ 20,702	\$ —	\$ —
Total cash equivalents	\$ 20,702	\$ 20,702	\$ —	\$ —
Short-term investments:				
Commercial paper	\$ 17,411	\$ —	\$ 17,411	\$ —
Corporate debt securities	20,877	—	20,877	—
Total short-term investments	\$ 38,288	\$ —	\$ 38,288	\$ —
Total	\$ 58,990	\$ 20,702	\$ 38,288	\$ —

As of December 31, 2024				
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
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 were as follows (in thousands):

	As of September 30, 2025		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
<b>Produced content:</b>			
In production	\$ 1,216	\$ —	\$ 1,216
In development or pre-production	5,713	—	5,713
Total produced content costs	<u>\$ 6,929</u>	<u>\$ —</u>	<u>\$ 6,929</u>
Current portion			\$ —
Noncurrent portion			<u>\$ 6,929</u>

	As of December 31, 2024		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
<b>Produced content:</b>			
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 September 30, 2025, the Company does not have licensed content. The amortization and impairment of produced content costs were both nil for the three and nine months ended September 30, 2024 and 2025, respectively.

#### *Property and Equipment, Net*

Property and equipment, net as of December 31, 2024 and September 30, 2025, were as follows (in thousands):

	As of	
	December 31, 2024	September 30, 2025
Electronic equipment	\$ 811	\$ 7,082
Office and other equipment	951	920
Vehicles	10	6
Leasehold improvements	9,637	7,277
Construction in progress	21	—
Property and equipment, gross	11,430	15,285
Accumulated depreciation and amortization	(7,481)	(6,286)
Property and equipment, net	<u>\$ 3,949</u>	<u>\$ 8,999</u>



Depreciation and amortization expense was \$0.4 million and \$2.5 million for the three and nine months ended September 30, 2024 respectively, and -\$0.2 million and \$1.0 million for the three and nine months ended September 30, 2025 respectively. During the third quarter of 2025, the Company reversed \$0.8 million of depreciation and amortization expense due to an overcharge recorded in the prior period.

### ***Accrued Expenses and Other Current Liabilities***

Accrued expenses and other current liabilities as of December 31, 2024 and September 30, 2025 were as follows (in thousands):

	<b>As of</b>	
	<b>December 31, 2024</b>	<b>September 30, 2025</b>
Litigation settlements	\$ 174,000	\$ 652
Accrued payroll	5,353	4,476
Accrued professional fees	3,155	1,854
Accrued CEO Bonus <sup>(1)</sup>	3,667	—
Contract liabilities	—	11
Other	1,482	401
Accrued expenses and other current liabilities	<u>\$ 187,657</u>	<u>\$ 7,394</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 September 30, 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):

	<b>As of</b>	
	<b>December 31, 2024</b>	<b>September 30, 2025</b>
<b>Operating leases:</b>		
Operating lease right-of-use assets	\$ 16,328	\$ 15,688
Operating lease liabilities, current	\$ 6,336	\$ 6,657
Operating lease liabilities, noncurrent	17,954	14,862
Total operating lease liabilities	<u>\$ 24,290</u>	<u>\$ 21,519</u>

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

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2025</b>
<b>Operating lease expense:</b>		
Operating lease expense <sup>(1)</sup>	\$ 5,567	\$ 4,158
Total lease expense	<u>\$ 5,567</u>	<u>\$ 4,158</u>
<b>Sublease income:</b>	<u>\$ 866</u>	<u>\$ 2,103</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:

	As of September 30,	
	2024	2025
<b>Weighted-average remaining lease term:</b>		
Operating leases	6.6 years	5.9 years
<b>Weighted-average discount rate:</b>		
Operating leases	7.5%	7.9%

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

	Nine Months Ended September 30,	
	2024	2025
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 5,303	\$ 5,680
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating lease liabilities	1,076	1,382

As of September 30, 2025, the maturities of the Company's operating lease liabilities (excluding short-term leases) are as follows (in thousands):

	Operating Leases
2025	\$ 2,228
2026	7,455
2027	6,487
2028	2,676
2029	2,515
Thereafter	8,576
Total minimum lease payments	29,937
Less: lease incentives receivable <sup>(1)</sup>	558
Less: imputed interest	7,860
Present value of minimum lease payments	21,519
Less: current portion	6,657
Lease obligations, noncurrent	\$ 14,862

(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 September 30, 2025 were as follows (in thousands):

	As of	
	December 31, 2024	September 30, 2025
Equity method investments	\$ 10,333	\$ 12,789
Total	\$ 10,333	\$ 12,789

The carrying amount of the Company's equity method investments were \$10.3 million and \$12.8 million as of December 31, 2024 and September 30, 2025, respectively. As of September 30, 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 \$9.4 million based on the September 30, 2025 spot exchange rate, which substantially relates to equity method goodwill and is not amortized as a basis difference.

In August 2024, the Company through its VIE, Beijing Xiong Xiong, acquired 20.0% equity interest of a private company, Guangzhou Sansanerchuan Culture Communication Co., Ltd. ("Guangzhou Sansan"), with cash consideration of RMB20.0 million (approximately equivalent to \$2.8 million).

In October 2024, the Company through its VIE, Beijing Xiong Xiong, acquired 49.0% equity interest of a private company, Beijing Banpingcu Network Technology Co., Ltd. ("Beijing Banpingcu"), with cash consideration of RMB25.0 million (equivalent to \$3.4 million). In 2025, one of the executive directors of Beijing Banpingcu provided technical consultant services to the Company and the total service fee was \$0.05 million for the nine months ended September 30, 2025.

In November 2024, the Company through its VIE, Beijing Xiong Xiong, acquired 30.0% equity interest of a private company, Beijing Xuanbai Culture Communication Co., Ltd. ("Beijing Xuanbai"), with cash consideration of RMB30.0 million (equivalent to \$4.2 million).

In June 2025, the Company through its VIE, Beijing Xiong Xiong, acquired 30.0% equity interest of a private company, Beijing Kunxun Interactive Entertainment Network Technology Co., Ltd. ("Beijing Kunxun"), with cash consideration of RMB17.5 million (equivalent to \$2.4 million).

### **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, 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 judgement became final on June 18, 2025.

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 as of December 31, 2024. The remaining \$15.0 million was covered by insurance. As of September 30, 2025, following the judgment becoming final on June 18, 2025, the \$174.0 million was paid.

#### *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 the Company's current and former directors and officers (Xiaodi Hou, Mo Chen, Brad Buss, Karen C. Francis, and 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 of Directors 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, and 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, except Xiaodi Hou, 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. The Court held a final approval hearing on July 18, 2025 and issued an order approving the settlement and entering judgement on July 23, 2025.

On August 19, 2025, Xiaodi Hou appealed the settlement to the U.S. Court of Appeal for the Ninth Circuit. The appellate briefing is currently scheduled to be completed by December 22, 2025. On November 17, 2025, Xiaodi Hou sought a 30-day extension of the deadline for his opening brief.

The timing of the resolution of the appeal is uncertain. Should the settlement become final, the Company expects to receive approximately \$30.0 million. Assuming the settlement becomes final then there should be no material financial impact on the Company's consolidated statement of operations.

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, and 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.) (the "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 these, 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 "Voting Agreement"). 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 as of the filing date of the action. 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 adjudicated 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. On May 14 and 15, 2025, the action proceeded to trial against Mr. Chen as the sole defendant. On October 31, 2025, the Court issued an opinion in Mo Chen's favor, finding the Voting Agreement valid and enforceable. The Court further found that the Voting Agreement only terminates upon the parties' written agreement, and the parties have not mutually agreed to terminate the Voting Agreement. White Marble has until December 1, 2025, to appeal the Court's decision.

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 Committee on Foreign Investment in the United States ("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 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 has been no material update to this matter 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 Hydron (f/k/a Turing Auto), a company founded by Mr. Chen, a co-founder of the Company and greater than 10% beneficial owner, 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 NSA. 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 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 NSA.

The timing and outcome for a conclusion of the SEC matter is uncertain.

#### *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 performed a seizure on the Nvidia A100 chips. The Company submitted a petition in March 2024, and CBP confirmed receipt of the petition and requested for information and documentation related to the shipment in May 2024. The Company submitted its 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. There has been no material update to this matter since April 2025.

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 of Directors 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 has been no material update to this matter 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. and its subsidiary CreateAI, Inc. have brought claims for misappropriation of trade secrets against Bot Auto TX, Inc. The action is presently in discovery with a scheduled trial date of March 2026.

CreateAI, Inc. v. Bot Auto, Inc. et al., No. 4:25-cv-03371 (S.D. Tex.): CreateAI, Inc. has brought claims for patent infringement against Bot Auto, Inc. and its subsidiaries. No schedule for the action has yet been set.

## 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 nine months ended September 30, 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	\$ —
Modification	286,555	\$ 18.76		
Cancelled/Forfeited	(50,000)	\$ 32.18		
Outstanding at September 30, 2025	639,494	\$ 16.11	5.25	\$ —
Vested and exercisable at September 30, 2025	639,494	\$ 16.11	5.25	\$ —



In September 2025, the Company approved an extension of the expiration date for 286,555 vested and exercisable stock options. Modification accounting was not applied as the stock options' fair value, vesting conditions and classification as an equity or liability instruments were the same immediately before and after the extension. The impact of this change was disclosed as modification within the summary of the stock option activity for the nine months ended September 30, 2025.

As of September 30, 2025, unrecognized stock-based compensation expense related to unvested stock options was nil.

### ***RSUs***

The following table summarizes the activity related to RSUs for the nine months ended September 30, 2025:

	<b>RSUs Outstanding</b>	<b>Weighted- Average Grant Date Fair Value per Share</b>
Unvested and Outstanding at December 31, 2024	21,686,694	\$ 0.59
Granted	448,123	0.40
Vested	(4,486,374)	1.14
Cancelled/Forfeited	(1,361,425)	0.82
Unvested and outstanding at September 30, 2025	16,287,018	\$ 0.41
Vested and outstanding at September 30, 2025	750,674	\$ 22.24

### ***RSAs***

The following table summarizes the activity related to RSAs for the nine months ended September 30, 2025:

	<b>RSAs Outstanding</b>	<b>Weighted- Average Grant Date Fair Value per Share</b>
Unvested and Outstanding at December 31, 2024	2,200,000	\$ 0.24
Granted	10,000,000	0.40
Vested	(726,000)	0.24
Cancelled/Forfeited	—	—
Unvested and outstanding at September 30, 2025	11,474,000	\$ 0.38
Vested and outstanding at September 30, 2025	726,000	\$ 0.24

### ***SVAs***

There was no activity related to SVAs for the nine months ended September 30, 2025, the SVAs vested and outstanding at September 30, 2025 was nil.

As of September 30, 2025, there was \$8.5 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 1.5 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 in March, 2025.

During the three and nine months ended September 30, 2025, the Company recognized stock-based compensation expense of \$0.5 and \$1.6 million, together for the 2022 CEO Awards, 2024 CEO Modifications and other CEO awards under 2021 Plan (collectively, the “CEO Awards”). As of September 30, 2025, there was a total of \$3.0 million unrecognized stock-based compensation expense, which will be recognized over a weighted-average service period of 1.8 years for the CEO Awards.

### ***Stock-based Compensation Expense***

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>
Research and development	\$ 603	\$ 300	\$ 2,034	\$ 1,362
Selling, general and administrative	884	691	2,838	3,317
Total stock-based compensation expense	\$ 1,487	\$ 991	\$ 4,872	\$ 4,679

### **Note 6. Income Taxes**

The Company’s effective tax rates for the three and nine months ended September 30, 2025 were both 0%. 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 September 30, 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):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>
<b>Numerator:</b>				
Net loss attributable to common stockholders, basic and diluted	\$ (201,303)	\$ (7,885)	\$ (292,327)	\$ (47,974)
<b>Denominator:</b>				
Weighted-average shares used in computing net loss per share, basic and diluted	234,450,013	243,407,531	234,185,565	240,669,451
<b>Net loss per share:</b>				
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.86)	\$ (0.03)	\$ (1.25)	\$ (0.20)

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:

	<b>As of September 30,</b>	
	<b>2024</b>	<b>2025</b>
Options to purchase common stock	538,713	639,494
RSUs subject to future vesting	13,622,193	16,287,018
RSAs subject to future vesting	—	11,474,000
Total	14,160,906	28,400,512

## 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 September 30,		Nine Months Ended September 30,	
	2024	2025	2024	2025
Revenue	—	34	—	47
Less:				
Staff expense <sup>(1)</sup>	10,609	6,532	48,996	18,128
Other segment items <sup>(2)</sup>	18,860	13,371	49,518	51,335
Total Segment Adjusted EBITDA	(29,469)	(19,869)	(98,514)	(69,416)
Reconciling item:				
Stock-based compensation expense <sup>(3)</sup>	(1,487)	(991)	(4,955)	(4,679)
Depreciation and amortization <sup>(3)</sup>	(382)	170	(2,466)	(1,009)
Restructuring expenses	(2,325)	(35)	(34,067)	(328)
One-off securities class action expense	(174,000)	—	(174,000)	—
Interest income	5,889	3,065	21,587	9,075
Other income (expense), net	286	9,932	(97)	18,508
Loss before provision for income taxes and share of income from equity method investments	(201,488)	(7,728)	(292,512)	(47,849)

(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	September 30, 2025
U.S.	\$ 14,181	\$ 11,625
APAC	13,067	19,990
Total long-lived assets, net <sup>(1)</sup>	\$ 27,248	\$ 31,615

(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.

One of the executive directors of Chinese Ink Paiting Xia Dao Co., Limited provided technical consultant services to the Company and the total service fee was \$0.06 million for the nine months ended September 30, 2025.

The Company entered into an anime intellectual property (“IP”) transfer agreement with an affiliate of 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 was completed in May 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 signed a commissioned production service agreement with Beijing Kunxun in 2024 for an amount of approximately \$3.5 million (originally settled at RMB25.0 million), the latter became the related party of the Company since June 2025. Total production service fee to Beijing Kunxun was \$2.7 million for the nine months ended September 30, 2025. Total production service fee paid to Beijing Kunxun was \$2.2 million for the nine months ended September 30, 2025.

The Company signed a loan agreement with Beijing Kunxun in February 2025, amounting to \$0.7 million (originally settled at RMB 5.0 million), which was repaid in June 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 \$0.1 million for the nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2024	2025	2024	2025
Research and development	\$ 1,200	\$ 26	\$ 15,401	\$ 228
Selling, general and administrative	1,125	—	18,666	91
Other income (expense), net	—	9	—	9
Total restructuring and related cost	\$ 2,325	\$ 35	\$ 34,067	\$ 328

The following table provides the components of and changes in the accrued restructuring and related charges during the nine months ended September 30, 2024 and 2025 (in thousands):

	Severance and Other Termination Benefits	Long-Lived Asset Costs	Stock-based Compensation <sup>(1)</sup>	Contract Termination Settlements	Total
Balance as of December 31, 2024	\$ 27	\$ —	\$ —	\$ 1,168	\$ 1,195
Charges	216	—	—	112	328
Cash payments	(216)	—	—	(239)	(455)
Non-cash adjustments	—	—	—	(41)	(41)
Balance as of September 30, 2025	\$ 27	\$ —	\$ —	\$ 1,000	\$ 1,027

	Severance and Other Termination Benefits	Long-Lived Asset Costs	Stock-based Compensation <sup>(1)</sup>	Contract Termination Settlements	Total
<b>Balance as of December 31, 2023</b>	\$ 4,743	\$ —	\$ —	\$ —	\$ 4,743
Charges (benefits)	18,796	3,729	(83)	11,625	34,067
Cash payments	(23,457)	(2,500)	—	(2,257)	(28,214)
Non-cash adjustments	—	(1,229)	83	(8,330)	(9,476)
<b>Balance as of September 30, 2024</b>	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,038</u>	<u>\$ 1,120</u>

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

#### Note 11. Other Income (Expense), Net

For the three months ended September 30, 2025, other income (expense), net included income of \$9.0 million from sale of assets, which was received during the third quarter of 2025. The rest of the consideration of \$1.0 million will be released to the Company upon completion of certain conditions based on the agreement. On January 9, 2025, the Company entered into an asset purchase agreement with a U.S. third party, to sell certain technology and U.S. data, without objection from the CFIUS, from its autonomous driving business.

For the nine months ended September 30, 2025, other income (expense), net also included a settlement of \$7.0 million received by the Company from a business partner related to a prior-year service contract in the second quarter of 2025.

#### Note 12. 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 and below.

With the Board approval, Mr. Mo Chen was appointed as the Chairman of the Board replacing Mr. Cheng Lu with effective date starting October 16, 2025.