

CreateAI Holdings Inc.

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ir@iamcreate.ai

Quarterly Report

For the period ending March 31, 2025 (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Common Stock (both Class A and Class B) was:

241,277,149 as of May 12, 2025 *(Current Reporting Period Date or More Recent Date)*

232,618,399 as of December 31, 2024 *(Most Recent Completed Fiscal Year End)*

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

⁴ “Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

CreateAI Holdings Inc. is the current name of the issuer. The issuer completed its name change from TuSimple Holdings Inc. to CreateAI Holdings Inc. on December 11, 2024.

Current State and Date of Incorporation or Registration: Issuer was incorporated in Delaware on February 23, 2021.
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

Address of the issuer's principal executive office:

9191 Towne Centre Drive, Suite 295, San Diego, CA 92122

Address of the issuer's principal place of business:

☐ Check if principal executive office and principal place of business are the same address:

No. 56-1, Liangmaqiao Road, Chaoyang District, Beijing, China

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Equiniti

Phone: _____

Email: _____

Address: 48 Wall Street, Floor 23, New York, NY 10005

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>TSPH</u>	
Exact title and class of securities outstanding:	<u>Class A Common Stock</u>	
CUSIP:	<u>90089L108</u>	
Par or stated value:	<u>\$0.0001</u>	
Total shares authorized:	<u>4,876,000,000</u>	<u>as of date: May 12, 2025</u>
Total shares outstanding:	<u>217,277,149</u>	<u>as of date: May 12, 2025</u>
Total number of shareholders of record:	<u>28</u>	<u>as of date: May 12, 2025</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	<u>Class B Common Stock</u>	
Par or stated value:	<u>\$0.0001</u>	
Total shares authorized:	<u>24,000,000</u>	<u>as of date: May 12, 2025</u>
Total shares outstanding:	<u>24,000,000</u>	<u>as of date: May 12, 2025</u>
Total number of shareholders of record:	<u>2</u>	<u>as of date: May 12, 2025</u>

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

N.A.

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

The following description of the capital stock of the Company is a summary of the rights of our capital stock and summarizes certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws affecting the rights of holders of our capital stock. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been filed as exhibits to the Annual Report (filed on March 28, 2025), as well as to applicable provisions of the Delaware General Corporation Law.

Our authorized capital stock consists of 5,000,000,000 shares, all with a par value of \$0.0001 per share, of which:

- 4,876,000,000 shares are designated Class A Common Stock;

- 24,000,000 shares are designated Class B Common Stock; and
- 100,000,000 shares are designated Preferred Stock.

Common Stock

We have two classes of authorized common stock: Class A Common Stock and Class B Common Stock. The rights of the holders of Class A Common Stock and Class B Common Stock are identical, except with respect to voting, conversion and transfer rights.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. Shares of Class A Common Stock and Class B Common Stock must be treated equally, identically and ratably, on a per share basis, with respect to any dividends or distributions as may be declared and paid from time to time by the Board, provided that if a dividend is paid in the form of Common Stock or rights to acquire such shares, holders of Class A Common Stock will receive shares of Class A Common Stock (or rights to acquire such shares) and holders of Class B Common Stock will receive shares of Class B Common Stock (or rights to acquire such shares), unless a disparate dividend or distribution is approved by the affirmative vote of holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

Voting Rights

The holders of our Class A common stock are entitled to one vote per share and the holders of our Class B common stock are entitled to 10 votes per share. Stockholders do not have the ability to cumulate votes for the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide for, immediately following any time after our 2022 annual meeting of stockholders when the outstanding shares of our Class B common stock represent less than 40% of the total voting power of our common stock (the "Voting Threshold Date"), a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. The board of directors is authorized to assign members of the board of the directors already in office immediately prior to the Voting Threshold Date. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. The holders of our Class A common stock and Class B common stock vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation.

Our amended and restated certificate of incorporation provides as long as any shares of Class B common stock remain outstanding, we shall not, without the prior affirmative vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a separate class, in addition to any other vote required by applicable law or our amended and restated certificate of incorporation:

- amend, alter, or repeal any provision of our amended and restated certificate of incorporation or amended and restated bylaws that modifies the voting, conversion or other powers, preferences, or other special rights or privileges, or restrictions of our Class B common stock; or
- reclassify any of our outstanding shares of Class A common stock into shares having rights as to dividends or liquidation that are senior to our Class B common stock or the right to more than one (1) vote for each share thereof.

Delaware law or our amended and restated certificate of incorporation could require either holders of our Class A common stock or our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase the authorized number of shares of a class of stock, or to increase or decrease the par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment;
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment; and
- so long as our outstanding shares of Class B common stock represent 40% or more of the total voting power of the company, any transaction that would result in a change in control of our company will require the approval of a majority of our outstanding Class B common stock voting as a separate class.

The holders of common stock will not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting power of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preemptive or Similar Rights

Except the conversion provisions with respect to our Class B common stock described below, our charter and bylaws do not provide holders of our common stock with any preemptive rights or subject them to conversion, redemption, or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our dissolution, liquidation, or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion of our Class B Common Stock

Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock.

Each share of our Class B common stock will automatically convert, on a one-for-one basis, into shares of our Class A common stock on the earliest to occur of (i) the date specified by a vote of the holders of Class B common stock representing 75.0% of the outstanding shares of Class B common stock, (ii) the date that is between 90 days and 270 days, as determined by the board of directors, after the death or incapacitation of the last of Mo Chen and Xiaodi Hou (each, a "Founder") to die or become incapacitated or (iii) the date that is between 61 and 180 days, as determined by the board of directors, after the date on which the number of outstanding shares of Class B common stock held by the Founders and their permitted affiliates represents less than 50.0% of the total number of shares of Class B common stock held collectively by the Founders and their permitted affiliates at 11:59 pm Pacific Time on the date that we filed our amended and restated certificate of incorporation.

Additionally, each share of our Class B common stock will convert automatically into one share of our Class A common stock upon any transfer, sale, assignment, conveyance, hypothecation or other transfer or disposition of such share, whether or not for value and whether voluntary or involuntary or by operation of law, except certain permitted transfers described in our amended and restated certificate of incorporation, including, but not limited to:

- any transfer of Class B common stock by a holder that is a record holder of such Class B common stock prior to the date that our amended and restated certificate of incorporation was accepted for filing by the Secretary of State of the State of Delaware to (i) a trust for the benefit of such record holder or one or more family members of such record holder, (ii) any general partnership, limited partnership, limited liability company, corporation or other entity owned exclusively by such record holder or (iii) a Founder; and
- any grant of a voting proxy with respect to Class B common stock by either Founder to the other Founder.

Once transferred and converted into Class A common stock, the Class B common stock will not be reissued.

Preferred Stock

No shares of preferred stock are outstanding, but we are authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences, and rights of the shares of each series and any associated qualifications, limitations or restrictions. Our board of directors also can increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the Class A common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our Class A common stock and the voting and other rights of the holders of Class A common stock. We have no current plan to issue any shares of preferred stock.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

N/A

3. Describe any other material rights of common or preferred stockholders.

N/A

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

N/A

3) Issuance History

*The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.***

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares (for both Class A and Class B Common Stock) for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

	Outstanding shares
Balance as of December 31, 2022	225,707,557
Issuance of common stock from exercise of options	56,391
Issuance of common stock from release of RSUs and SVAs ⁽¹⁾	4,585,350
Compensatory stock issuances	175,816
Repurchase of common stock	(25,000)
Balance as of December 31, 2023	230,500,114
Issuance of common stock from release of RSUs	2,118,285
Balance as of December 31, 2024	232,618,399
Issuance of common stock from release of RSUs	8,658,750
Balance as of March 31, 2025	241,277,149

Any additional material details, including footnotes to the table are below:

1. RSUs stand for restricted stock units and SVAs stand for share value awards

B. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities.

☒ Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Any additional material details, including footnotes to the table are below:

N.A.

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

CreateAI is an applied artificial intelligence ("AI") company that leverages advanced research and integrates cutting-edge solutions with end-market applications to deliver tangible commercial value. Since its founding in 2015, the Company has developed AI solutions primarily for autonomous trucking. In August 2024, CreateAI announced the expansion into

generative AI for video game and anime production, and later the company announced a rebranding and strategic shift to capitalize on its AI expertise to develop digital entertainment content for a global audience, while continuing to monetize its autonomous driving technology. As of the issuance date of this report, CreateAI employs approximately 270 professionals across its offices in the United States, China, and Japan. The Company's commitment to innovation and market-driven solutions underpins its competitive advantage and positions CreateAI to address a broad range of opportunities in the rapidly evolving age of AI.

B. List any subsidiaries, parent company, or affiliated companies.

Subsidiaries	Jurisdiction of Organization
TuSimple, Inc.	United States of America
TS Logistics, Inc.	United States of America
Nomadic US Inc.	United States of America
AFN Carriers	United States of America
CreateAI Hong Kong Limited (Formerly: Tusimple (Hong Kong) Limited)	Hong Kong
Tusimple (Hong Kong) Auto Tech Limited	Hong Kong
Animon Dream Factory (Hong Kong) Company Limited	Hong Kong
Beijing OCGen Interaction Technology Co., Ltd. (Formerly: Beijing Tusen Weilai Technology Co., Ltd.)	China
Tangshan Tusen Weilai Logistics Co., Ltd.	China
Beijing OCGen Technology Co., Ltd. (Formerly: Beijing Tusen Zhitu Technology Co., Ltd.)	China
Beijing Weilai Chengyun Auto Tech Co., Ltd.	China
Shanghai Tusen Weilai AI Technology Co., Ltd.	China
Tusen Zhiyun (Shenzhen) Auto Tech Co., Ltd.	China
Junlian Tusen Technology Co., Ltd.	China
Guangzhou Xiong Xiong Animation Culture Co., Ltd.	China
Guangzhou Tusen Weilai Interactive Technology Co., Ltd.	China
Shanghai Xiong Xiong Animation Technology Co., LTD	China
Beijing OCGen Motion Capture Culture Co., Ltd.	China
Tusimple Japan Co. Ltd	Japan
Animon Dream Factory Co., LTD.	Japan
TuSimple Research, Inc.	Canada
TuSimple Sweden AB	Sweden
TuSimple Germany GmbH	Germany
TuSimple PTE LTD.	Singapore
TuSimple Australia PYT LTD	Australia
Consolidated Affiliated Entities	Jurisdiction of Organization
Beijing Xiong Xiong Dream Factory Culture Co., Ltd.	China

C. Describe the issuers' principal products or services.

As part of CreateAI's strategic shift to capitalize on its AI expertise to develop digital entertainment content for a global audience, the Company has introduced its proprietary image-to-video model, Ruyi. Additionally, CreateAI has launched its anime-specific AI video generation platform, Animon.ai, and is actively developing a suite of generative AI tools to support its video game and anime production initiatives.

The Company has also developed autonomous driving technology which it will continue to monetize.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The Company currently leases 105,000 square feet (sf) for our principal offices in San Diego, CA, of which 81,000 sf are subleased or offered for sublease. We also lease additional office space of approximately 67,000 sf in total for our offices outside of the U.S., including China and Japan.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities. If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name (First, Last) or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, 5% Control person)	City and State (Include Country if outside U.S.)	Number of Shares Owned (List common, preferred, warrants and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (undiluted)
Cheng Lu ⁽¹⁾	CEO	China	11,905,146	Class A	5.5%
Mo Chen ⁽²⁾	Chief Producer	China	6,367,314	Class A	2.9%
Jianan Hao ⁽³⁾	Chief Operating Officer	China	858,160	Class A	*
Lei Song	VP, Finance	China	—	Class A	—
James Lu ⁽⁴⁾	Director	Grinnell, IA	156,250	Class A	*
Zhen Tao ⁽⁵⁾	Director	South Pasadena, CA	117,188	Class A	*
Albert Schultz	Director	Lakeway, TX	—	Class A	—
Sun Dream Inc ⁽⁶⁾	5% stockholder	See footnotes	24,676,708	Class A	11.4%
TRATON SE ⁽⁷⁾	5% stockholder	See footnotes	15,782,220	Class A	7.3%
White Marble LLC ⁽⁸⁾	5% stockholder	See footnotes	13,442,314	Class A	6.2%
BlackRock, Inc. ⁽⁹⁾	5% stockholder	See footnotes	12,884,041	Class A	5.9%
Camac Partners, LLC ⁽¹⁰⁾	5% stockholder	See footnotes	11,470,178	Class A	5.3%

Mo Chen ⁽²⁾	Chief Producer	China	12,000,000	Class B	50%
White Marble LLC ⁽⁶⁾	5% stockholder	See footnotes	12,000,000	Class B	50%

* Less than 1 percent.

1. Consists of: (i) 11,005,146 shares of Class A Common Stock held by Cheng Lu and (ii) 900,000 shares of Class A Common Stock held by Hickory Wood Grove LLC, a limited liability company incorporated in Delaware and beneficially owned by the Lu Family Descendants Trust. As of the period ending March 31, 2025, 5,000,000 shares of Class A Common Stock are in the process of issuance and are excluded from the table.
2. Consists of: (i) 12,000,000 shares of Class B Common Stock held by Gray Jade Holding Limited, a company incorporated in British Virgin Islands and wholly owned by Mo Chen LLC, a limited liability company organized in Delaware, which is wholly owned by The Chen Family Trust having Mr. Chen as its trustee, (ii) 75,000 shares of Class A Common Stock held by THC International Limited, a company incorporated in British Virgin Islands and beneficially owned by Mr. Chen, and (iii) 6,292,314 shares of Class A Common Stock held by Brown Jade Holding Limited, a company incorporated in British Virgin Islands and beneficially owned by Mr. Chen. The registered address of Gray Jade Holdings Limited is Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands. The registered address of THC International Limited is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands. The registered address of Brown Jade Holding Limited is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands. The Class A Common Stock beneficially owned does not include the shares issuable upon conversion of the shares of the Class B Common Stock. As of the period ending March 31, 2025, 5,000,000 shares of Class A Common Stock are in the process of issuance and are excluded from the table.
3. Consists of (i) 37,160 shares of Class A Common Stock held by Jianan Hao and (ii) 821,000 shares of Class A Stock held by Jiazi Holding Limited, a company incorporated in British Virgin Islands and beneficially owned by Mr. Hao. The registered address of Jiazi Holding Limited is Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. As of the period ending March 31, 2025, 800,000 shares of Class A Common Stock are in the process of issuance and are excluded from the table.
4. Consists of 156,250 shares of Class A Common Stock held by Mr. Lu.
5. Consists of 117,188 shares of Class A Common Stock held by Ms. Tao.
6. Based solely on the Schedule 13G filed by the stockholder with the SEC on February 14, 2022, consists of 24,676,708 shares of Class A Common Stock held by Sun Dream Inc. Sun Dream Inc has sole voting and dispositive power with respect to 24,676,708 shares. Sun Dream Inc is ultimately controlled by Mr. Charles Chao. The registered address of Sun Dream Inc is P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
7. Based solely on the Schedule 13G filed by the stockholder with the SEC on July 1, 2021, consists of 15,782,220 shares of Class A Common Stock. TRATON SE has shared voting and dispositive power with respect to 15,782,220 shares. Immediately following the consummation of the transactions contemplated by that certain Agreement and Plan of Merger dated November 7, 2020, by and among Navistar International Corporation, TRATON SE, and Dusk Inc., a Delaware corporation and wholly owned subsidiary of TRATON SE, on July 1, 2021, each of (i) TRATON SE, (ii) Volkswagen Aktiengesellschaft, (iii) TRATON International S.A., (iv) Navistar International Corporation, (v) Navistar, Inc., (vi) International of Mexico Holding Corporation (IMHC), and (vii) International Truck and Engine Corporation Cayman Islands Holding Company may have been deemed to share beneficial ownership in some or all of such securities.
8. Consists of: (i) 75,000 shares of Class A Common Stock held by Xiaodi Hou, (ii) 13,367,314 shares of Class A Common Stock held by White Marble LLC, a limited liability company organized in Delaware and beneficially owned by Mr. Hou and (ii) 12,000,000 shares of Class B Common Stock held by White Marble International Limited, a company incorporated in Samoa and beneficially owned by Mr. Hou. The registered address of White Marble International Limited is Sertus Chambers, P.O. Box 603, Apia, Samoa. The Class A Common Stock beneficially owned does not include the shares issuable upon conversion of the Class B Common Stock.
9. Based solely on the Schedule 13G filed by the stockholder with the SEC on January 29, 2024, BlackRock, Inc. has sole voting power with respect to 12,663,082 shares and sole dispositive power with respect to 12,884,041 shares. The business address of BlackRock, Inc. is 50 Hudson Yards, New York, NY 10055.
10. Based solely on the Schedule 13D filed by the stockholder with the SEC on May 30, 2024, consists of 11,470,178 shares of Class A Common Stock held by Camac Partners, LLC. Camac Partners, LLC has shared voting and

dispositive power with respect to 11,470,178 shares. The registered address of Camac Partners, LLC is 350 Park Avenue, 13th Floor, New York, NY 10022.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

None for Cheng Lu, Mo Chen, Jianan Hao, James Lu, Zhen Tao, and Albert Schultz. We do not have any information on the 5% or greater stockholders.

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

None for Cheng Lu, Mo Chen, Jianan Hao, James Lu, Zhen Tao, and Albert Schultz. We do not have any information on the 5% or greater stockholders.

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

None for Cheng Lu, Mo Chen, Jianan Hao, James Lu, Zhen Tao, and Albert Schultz. We do not have any information on the 5% or greater stockholders.

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

In December 2022, the Staff of the Division of Enforcement of the U.S. Securities and Exchange Commission (the "SEC") began an investigation of TuSimple Holdings (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 Committee of Foreign Investment in the United States ("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.

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None for Cheng Lu, Mo Chen, Jianan Hao, James Lu, Zhen Tao, and Albert Schultz. We do not have any information on the 5% or greater stockholders.

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

None for Cheng Lu, Mo Chen, Jianan Hao, James Lu, Zhen Tao, and Albert Schultz. We do not have any information on the 5% or greater stockholders.

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

Refer to Note 9. Commitments and Contingencies in Annual Report (filed on March 28, 2025) and section 7) A. of this report.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel

Name: Skadden, Arps, Slate, Meagher & Flom LLP
Address 1: One Manhattan West
Address 2: New York, NY 10001
Phone: _____
Email: _____

Accountant or Auditor

Firm: UHY LLP
Address 1: 4 Park Plaza, Suite 350
Address 2: Irvine CA, 92614
Phone: _____

Email: _____

Investor Relations

Firm: ICR
Address 1: 761 Main Ave
Address 2: Norwalk, CT 06851
Phone: _____
Email: _____

All other means of Investor Communication:

X (Twitter): _____
Discord: _____
LinkedIn: _____
Facebook: _____
[Other] _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Lei Song
Title: VP, Finance
Relationship to Issuer: Employee

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Lei Song
Title: VP, Finance
Relationship to Issuer: Employee

Describe the qualifications of the person or persons who prepared the financial statements:⁶ Master of Accounting from the University of North Carolina at Chapel Hill, USA

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Cheng Lu certify that:

1. I have reviewed this Disclosure Statement for CreateAI Holdings Inc;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 14, 2025

/s/ CHENG LU

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

⁶ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Principal Financial Officer:

I, Lei Song certify that:

1. I have reviewed this Disclosure Statement for CreateAI Holdings Inc;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 14, 2025

/s/ LEI SONG

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

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

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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	232,255,942	\$ 22	\$ 2,613,027	\$ (905)	\$ (1,943,808)	\$ 668,336

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, 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

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.