UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to________________

Microvast Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-38826**	**83-2530757**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

12603 Southwest Freeway, Suite 300 Stafford, Texas	**77477**
(Address Of Principal Executive Offices)	(Zip Code)

(281) 491-9505
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common stock, par value $0.0001 per share	MVST	The Nasdaq Stock Market LLC
Redeemable warrants, exercisable for shares of common stock at an exercise price of $11.50 per share	MVSTW	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o
Emerging growth company	x		

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

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

As of May 6, 2024, there were 317,196,095 shares of the Company's common stock, par value $0.0001, issued and outstanding.

MICROVAST HOLDINGS, INC.
FORM 10-Q
For the Quarter Ended March 31, 2024

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report ("Report") contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about future financial and operating results, our objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “plan,” “project,” “predict,” “outlook” “should,” “will,” “would,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These forward-looking statements include, but are not limited to, statements regarding our industry and market sizes, and future opportunities for us. Such forward-looking statements are based upon the current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond our control. Actual results and the timing of events may differ materially from the results anticipated in these forward-looking statements.

In addition to factors identified elsewhere in this Report, the following factors, among others, could cause actual results and the timing of events to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- our ability to remain a going concern;
- risk that we may not be able to execute our growth strategies or achieve profitability;
- risk that we will not be able to raise additional capital to execute our business plan, which may not be available on acceptable terms or at all, or pay our debts as they come due;
- restrictions in our existing and any future credit facilities;
- risks of operations in China;
- the effects of mechanics liens filed by contractors that we do not have sufficient funds to pay;
- the effects of existing and future litigation;
- changes in general economic conditions, including increases in interest rates and associated Federal Reserve policies, a potential economic recession, and the impact of inflation on our business;
- changes in the highly competitive market in which we compete, including with respect to our competitive landscape, technology evolution or regulatory changes;
- changes in availability and price of raw materials;
- labor relations, including the ability to attract, hire and retain key employees and contract personnel;
- heightened awareness of environmental issues and concern about global warming and climate change;
- risk that we are unable to secure or protect our intellectual property;
- risk that our customers or third-party suppliers are unable to meet their obligations fully or in a timely manner;
- risk that our customers will adjust, cancel or suspend their orders for our products;
- risk of product liability or regulatory lawsuits or proceedings relating to our products or services;
- the effectiveness of our information technology and operational technology systems and practices to detect and defend against evolving cyberattacks;
- changing laws regarding cybersecurity and data privacy, and any cybersecurity threat or event;

- the effects and associated cost of compliance with existing and future laws and governmental regulations, such as the Inflation Reduction Act;

- economic, financial and other impacts such as a pandemic, including global supply chain disruptions; and

- the impacts of geopolitical events, including the ongoing conflicts between Russia and Ukraine and between Israel and Hamas.

The foregoing list of factors is not exhaustive and new factors may emerge from time to time that could also affect actual performance and results. For more information, please see the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2023 in Part I, Item 1A.

Actual results, performance or achievements may differ materially, and potentially adversely, from any forward-looking statements and the assumptions on which those forward-looking statements are based. There can be no assurance that the data contained herein is reflective of future performance to any degree. You are cautioned not to place undue reliance on forward-looking statements as a predictor of future performance as forward-looking statements are based on estimates and assumptions that are inherently subject to various significant risks, uncertainties and other factors, many of which are beyond our control.

All information set forth herein speaks only as of the date hereof, and we disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date hereof except as may be required under applicable securities laws. Forecasts and estimates regarding our industry and end markets are based on sources we believe to be reliable, however, there can be no assurance these forecasts and estimates will prove accurate in whole or in part.

All references to the “Company,” “we,” “us” or “our” refer to Microvast Holdings, Inc. and its consolidated subsidiaries other than certain historical information which refers to the business of Microvast prior to the consummation of the Business Combination.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	December 31, 2023	March 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 44,541	$ 39,451
Restricted cash, current	37,477	44,693
Short-term investments	5,634	—
Accounts receivable (net of allowance for credit losses of $4,571 and $5,065 as of December 31, 2023 and March 31, 2024, respectively)	138,717	123,543
Notes receivable	23,736	12,162
Inventories, net	149,749	137,330
Prepaid expenses and other current assets	25,752	20,973
Total Current Assets	**425,606**	**378,152**
Restricted cash, non-current	6,171	2,560
Property, plant and equipment, net	620,667	616,508
Land use rights, net	11,984	11,712
Acquired intangible assets, net	3,136	2,985
Operating lease right-of-use assets	19,507	18,777
Other non-current assets	9,661	9,954
Total Assets	**$ 1,096,732**	**$ 1,040,648**
Liabilities		
Current liabilities:		
Accounts payable	$ 112,618	$ 83,071
Notes payable	63,374	63,355
Accrued expenses and other current liabilities	148,284	137,231
Advance from customers	43,087	41,276
Short-term bank borrowings	35,392	41,034
Income tax payables	655	653
Total Current Liabilities	**403,410**	**366,620**
Long-term bonds payable	43,157	43,157
Long-term bank borrowings	43,761	43,031
Warrant liability	67	25
Share-based compensation liability	199	197
Operating lease liabilities	17,087	16,234
Other non-current liabilities	24,861	25,238
Total Liabilities	**$ 532,542**	**$ 494,502**
Commitments and contingencies (Note 16)		

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	December 31, 2023	March 31, 2024
Shareholders' Equity		
Common Stock (par value of US$0.0001 per share, 750,000,000 and 750,000,000 shares authorized as of December 31, 2023 and March 31, 2024; 316,694,442 and 317,196,095 shares issued, and 315,006,942 and 315,508,595 shares outstanding as of December 31, 2023 and March 31, 2024)	$ 32	$ 32
Additional paid-in capital	1,481,241	1,493,139
Statutory reserves	6,032	6,032
Accumulated deficit	(897,501)	(922,326)
Accumulated other comprehensive loss	(25,614)	(30,731)
Total Equity	**$ 564,190**	**$ 546,146**
Total Liabilities and Equity	**$ 1,096,732**	**$ 1,040,648**

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

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31,	
	2023	**2024**
Revenues	$ 46,973	$ 81,351
Cost of revenues	(42,115)	(64,126)
Gross profit	**4,858**	**17,225**
Operating expenses:		
General and administrative expenses	(20,385)	(23,794)
Research and development expenses	(10,861)	(11,492)
Selling and marketing expenses	(4,988)	(5,591)
Total operating expenses	(36,234)	(40,877)
Subsidy income	77	534
Loss from operations	**(31,299)**	**(23,118)**
Other income and expenses:		
Interest income	1,381	119
Interest expense	(459)	(1,732)
Changes in fair value of warrant liability	17	42
Other income (expense), net	789	(136)
Loss before provision for income taxes	**(29,571)**	**(24,825)**
Income tax expense	—	—
Net loss	**$ (29,571)**	**$ (24,825)**
Less: net income attributable to noncontrolling interests	10	—
Net loss attributable to Microvast Holdings, Inc.'s shareholders	**$ (29,581)**	**$ (24,825)**
Net loss per common share		
Basic and diluted	$ (0.10)	$ (0.08)
Weighted average shares used in calculating net loss per share of common stock		
Basic and diluted	307,714,841	315,367,121

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

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31,	
	2023	**2024**
Net loss	$ (29,571)	$ (24,825)
Foreign currency translation adjustment	2,188	(5,117)
Comprehensive loss	**$ (27,383)**	**$ (29,942)**
Comprehensive loss attributable to non-controlling interests	(22)	—
Total comprehensive loss attributable to Microvast Holding, Inc.'s shareholders	**$ (27,361)**	**$ (29,942)**

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

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31, 2023								
	Common Stock								
	Shares	Amount	Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity	Non-controlling Interests	Total Equity
Balance as of December 31, 2022	307,628,511	$ 31	$1,416,160	$ (791,165)	$ (18,081)	$ 6,032	$ 612,977	$ —	$ 612,977
Net loss	—	—	—	(29,581)	—	—	(29,581)	10	(29,571)
Capital contribution from non-controlling interests holder	—	—	—	—	—	—	—	2,174	2,174
Issuance of common stock in connection with vesting of share-based awards	111,437	—	—	—	—	—	—	—	—
Share-based compensation	—	—	18,061	—	—	—	18,061	—	18,061
Foreign currency translation adjustments	—	—	—	—	2,220	—	2,220	(32)	2,188
Balance as of March 31, 2023	**307,739,948**	**$ 31**	**$1,434,221**	**$ (820,746)**	**$ (15,861)**	**$ 6,032**	**$ 603,677**	**$ 2,152**	**$ 605,829**

	Three Months Ended March 31, 2024						
	Common Stock						
	Shares	Amount	Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity
Balance as of December 31, 2023	315,006,942	$ 32	$ 1,481,241	$ (897,501)	$ (25,614)	$ 6,032	$ 564,190
Net loss	—	—	—	(24,825)	—	—	(24,825)
Issuance of common stock in connection with vesting of share-based awards	501,653	—	—	—	—	—	—
Share-based compensation	—	—	11,898	—	—	—	11,898
Foreign currency translation adjustments	—	—	—	—	(5,117)	—	(5,117)
Balance as of March 31, 2024	**315,508,595**	**$ 32**	**$ 1,493,139**	**$ (922,326)**	**$ (30,731)**	**$ 6,032**	**$ 546,146**

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

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
Cash flows from operating activities		
Net loss	$ (29,571)	$ (24,825)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss/ (gain) on disposal of property, plant and equipment	824	(34)
Depreciation of property, plant and equipment	4,892	7,470
Amortization of land use right and intangible assets	205	194
Noncash lease expenses	658	664
Share-based compensation	17,929	11,865
Changes in fair value of warrant liability	(17)	(42)
(Reversal)/ allowance of credit losses	(1,094)	578
Product warranty	2,530	3,269
Changes in operating assets and liabilities:		
Notes receivable	(21,340)	10,577
Accounts receivable	32,293	12,011
Inventories	(7,039)	16,341
Prepaid expenses and other current assets	(857)	4,305
Operating lease right-of-use assets	(2,493)	(323)
Other non-current assets	288	(275)
Notes payable	(936)	1,042
Accounts payable	(3,956)	(27,843)
Advance from customers	(1,179)	(1,694)
Accrued expenses and other liabilities	(3,434)	(10,623)
Operating lease liabilities	1,239	(500)
Other non-current liabilities	(108)	(126)
Net cash (used in) generated from operating activities	**(11,166)**	**2,031**
Cash flows from investing activities		
Purchases of property, plant and equipment	(35,922)	(10,241)
Purchase of short-term investments	(243)	—
Proceeds on disposal of property, plant and equipment	340	152
Proceeds from maturity of short-term investments	—	5,564
Net cash used in investing activities	**(35,825)**	**(4,525)**
Cash flows from financing activities		
Proceeds from borrowings	4,384	18,780
Repayment of bank borrowings	—	(12,520)
Net cash generated from financing activities	**4,384**	**6,260**
Effect of exchange rate changes	470	(5,251)
Decrease in cash, cash equivalents and restricted cash	(42,137)	(1,485)
Cash, cash equivalents and restricted cash at beginning of the period	**302,617**	**88,189**
Cash, cash equivalents and restricted cash at end of the period	**$ 260,480**	**$ 86,704**

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
Reconciliation to amounts on unaudited condensed consolidated balance sheets		
Cash and cash equivalents	$ 200,305	$ 39,451
Restricted cash	60,175	47,253
Total cash, cash equivalents and restricted cash	**$ 260,480**	**$ 86,704**
Non-cash investing and financing activities		
Payable for purchase of property, plant and equipment	$ 58,121	$ 92,817

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

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Microvast, Inc. was incorporated under the laws of the State of Texas in the United States of America on October 12, 2006 and re-domiciled to the State of Delaware on December 31, 2015. On July 23, 2021 (the “Closing Date”), Microvast, Inc. and Tuscan Holdings Corp.(“Tuscan”) consummated the previously announced merger (the “Merger” or the "Business Combination"), pursuant to the Agreement and Plan of Merger (the “Merger Agreement”) dated February 1, 2021, between Tuscan, Microvast, Inc. and TSCN Merger Sub Inc., a Delaware corporation (“Merger Sub”).

Pursuant to the Merger Agreement, the Merger Sub merged with and into Microvast, Inc., with Microvast, Inc. surviving the Merger. As a result of the Merger, Tuscan was renamed “Microvast Holdings, Inc.” (the “Company”). The Merger was accounted for as a reverse recapitalization as Microvast, Inc. was determined to be the accounting acquirer under Financial Accounting Standards Board’s Accounting Standards Codification Topic 805, Business Combinations (“ASC 805”).

The Company and its subsidiaries (collectively, the “Group”) are primarily engaged in developing, manufacturing, and selling electronic power products for electric vehicles and energy storage across the globe.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Security and Exchange Commission (the "SEC") and U.S. generally accepted accounting standards (“U.S. GAAP”) for interim financial reporting. Accordingly, certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with U.S. GAAP have been omitted from these interim financial statements.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the period ended December 31, 2023 included in the Company’s Annual Report on Form 10-K filed with the SEC on April 1, 2024, which provides a more complete discussion of the Company’s accounting policies and certain other information. In the opinion of the management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary for a fair statement of financial results for the interim periods presented. The Company believes that the disclosures are adequate to make the information presented not misleading.

The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending December 31, 2024.

The financial information as of December 31, 2023 included on the condensed consolidated balance sheets is derived from the Group’s audited consolidated financial statements for the year ended December 31, 2023.

There have been no significant changes to the significant accounting policies disclosed in Note 2 of the audited consolidated financial statements for the years ended December 31, 2023.

Significant accounting estimates reflected in the Group’s financial statements include allowance for credit losses, provision for obsolete inventories, impairment of long-lived assets, valuation allowance for deferred tax assets, product warranty, fair value measurement of warrant liability and share based compensation.

All intercompany transactions and balances have been eliminated upon consolidation.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Going concern

The accompanying unaudited condensed consolidated financial statements of the Group have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and the discharge of liabilities in the normal course of business.

For the three months ended March 31, 2023 and 2024, the Group generated revenues of $ 46,973 and $81,351, gross profit of $4,858 and $17,225, respectively.

Despite the above, the Group has incurred significant losses in the three months ended March 31, 2023 and 2024. For the three months ended March 31, 2023 and 2024, the Group incurred net losses of $29,571 and $24,825, respectively. As of March 31, 2024, the Group had working capital of $11,532, shareholders' equity of $546,146, including an accumulated deficit of $922,326, and cash and cash equivalents balance of $39,451. As of March 31, 2024, the Group also had outstanding borrowings of $84,065, of which the amount to be paid in the next 12 months is $ 41,034, and other current liabilities of $325,586, including accounts payable, notes payable, accrued expenses and other current liabilities. Purchase commitments for non-cancelable contractual obligations primarily related to purchases of inventory were $57,848 as of March 31, 2024.

In addition, the Group launched its new 53.5Ah cell technology in 2021, which necessitated significant investment in capacity expansions in both Huzhou, China and Tennessee, United States. The 2GWh cell, module and tray expansion in Huzhou was completed in the third quarter of 2023 and is now generating revenue. The Tennessee 2GWh expansion, which utilizes the same type of production equipment as the one used in the Huzhou expansion, was originally scheduled to be completed in the fourth quarter of 2023. Management now estimates this project will not be in operation until it raises sufficient funding to meet the remaining capital expenditure needs. Due to the Tennessee capacity expansion, as of and for the three months ended March 31, 2024, the Group had long-lived assets located in the United States accounting for 51% of the Groups' long-lived assets while revenues from the United States customers only represented 2% of the Group's revenues.

The Group expects that an additional $150,000 to $170,000 of funding will be needed to complete the Tennessee capacity expansion, including payment for certain accounts payable owed to suppliers in relation to assets and services provided for this expansion. As of March 31, 2024, the Group has made total capital commitments for construction and purchase of property, plant and equipment amounting to $64,960, $64,119 of which is payable within one year, and most of which relates to production equipment to be used in the Tennessee facility. These capital commitments have been included in the estimated $150,000 to $170,000 required to complete the Tennessee capacity expansion.

As of March 31, 2024, the Group has outstanding payables in relation to assets and services provided for the Tennessee capacity expansion amounting to $60,189 that are currently due to its suppliers and the Group has received notice of non-payment mainly from certain of these suppliers with a total amount of $5,456. Further, there are several suppliers which have filed liens, with a total amount of $ 31,713 received by the Group as of March 31, 2024, mostly with the county in which the Tennessee project is situated. Several suppliers have also filed litigations alleging that the Group failed to pay for their products or services delivered on the Tennessee project. Refer to Note 16 for details.

In light of the Group's projected capital expenditures required to complete its Tennessee capacity expansion and its operating requirements under its current business plan, the Group is projecting that its existing cash and cash equivalents will not be sufficient to fund its operations and capital expenditure needs through the next twelve months from the date of issuance of its unaudited condensed consolidated financial statements. These conditions and events raise substantial doubt about the Group's ability to continue as a going concern and the Group's ability to continue as a going concern is dependent on its ability to raise additional capital or secure financing. As of the date of issuance of the financial statements, the Group is pursuing a Proposed Term Loan, further described below.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Going concern - continued

Proposed Term Loan – To meet its funding needs, management is seeking to secure a loan intended to support the Tennessee capacity expansion for which the amount may be disbursed in multiple advances. As of the date of issuance of the unaudited condensed consolidated financial statements, the Group is in the process of negotiating a credit agreement of $150,000 with a third party lender (the “Proposed Term Loan”) with a maturity term of four years from the closing date. Under the Proposed Term Loan, advances are subject to the satisfaction or waiver of a number of conditions, including but not limited to the resolution of liens filed by suppliers on the Tennessee project, delivery of certain customary certifications, as well as opinions from its legal counsel as to certain matters related to the applicability and availability of certain tax credits and enforceability, the assignment to a US subsidiary of certain assets related to the Tennessee project and payment to the lender of certain upfront fees and expenses. Additionally, prior to finalizing the Proposed Term Loan, certain other arrangements have to be reached into agreement, which include but are not limited to entering into a warrant agreement with the lender to grant certain warrants for the Company's common shares and entering into a minimum $30,000 working capital loan with another lender simultaneously with the Proposed Term Loan. The $30,000 working capital loan shall be subordinated to the Proposed Term Loan and funded in full as a condition precedent to the closing of the Proposed Term Loan. The Group is in process of negotiating those arrangements.

There are risks associated with the Proposed Term Loan including but not limited to:

- The Group may not reach a final agreement with the lender due to the reason that the aforementioned arrangements in conjunction with the Proposed Term Loan may not be successfully made, or other causes.
- The Group may not be able to meet all of the conditions precedent to get advances of the loan under the Proposed Term Loan once it entered into.
- There may be a delay in getting advances of the Proposed Term Loan thereby necessitating additional bridge funding to be obtained by the Group.

Besides the Proposed Term Loan, the Group is currently evaluating several different other funding initiatives. Such initiatives in consideration include the issuance of debt or equity instruments and/or the sale or disposal of certain US real estate assets that are not integral to its cell manufacturing or assembly operations. As of the date of issuance of those financial statements, the Group is currently prioritizing closing the Proposed Term Loan whilst any other funding initiatives remain under review.

In addition to the above, the Group has engaged an investment bank to assess strategic alternatives, provide advisory services and to solicit additional financing from third-party sources.

These plans are not final and are subject to market and other conditions not within the Group’s control. As such, there can be no assurance that the Group will be successful in obtaining sufficient funding. Should sufficient funding not be secured through the plans, or should there be a delay in the timing of securing funds through these funding initiatives, this would have adverse implications for the Group and its shareholders. In these scenarios, the Group will need to seek other options, including delaying or reducing operating and capital expenditure and the possibility of an alternative transaction or fundraising.

Accordingly, management has concluded that these plans do not alleviate the substantial doubt about the Group’s ability to continue as a going concern within one year after the date the unaudited condensed consolidated financial statements are issued. Based on the factors above, a material uncertainty exists which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realize its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements. The accompanying unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Emerging Growth Company

Pursuant to the JOBS Act, an emerging growth company (the “EGC”) may adopt new or revised accounting standards that may be issued by FASB or the SEC either (i) within the same periods as those otherwise applicable to non-EGCs or (ii) within the same time periods as private companies. The Company intends to take advantage of the exemption for complying with new or revised accounting standards within the same time periods as private companies. Accordingly, the information contained herein may be different than the information provided by other public companies.

The Company also intends to take advantage of some of the reduced regulatory and reporting requirements of EGCs pursuant to the JOBS Act so long as the Company qualifies as an EGC, including, but not limited to, an exemption from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

Revenue recognition

Nature of Goods and Services

The Group’s revenue consists primarily of sales of lithium-ion batteries. The obligation of the Group is to provide the battery products. Revenue is recognized at the point of time when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Group expects to be entitled to in exchange for the goods or services.

Disaggregation of revenue

For the three months ended March 31, 2023 and 2024, the Group derived revenues from geographic regions as follows:

	Three Months Ended March 31,	
	2023	2024
People’s Republic of China ("PRC")	*$ 32,612*	*$ 27,192*
Other Asia & Pacific countries	*3,149*	*23,294*
Asia & Pacific	**35,761**	**50,486**
Europe	**10,185**	**28,921**
U.S.	**1,027**	**1,944**
Total	**$ 46,973**	**$ 81,351**

Contract balances

Contract balances include accounts receivable and advances from customers. Accounts receivable represent cash not received from customers and are recorded when the rights to consideration are unconditional. The allowance for credit losses reflects the best estimate of probable losses inherent to the accounts receivable balance. Contract liabilities, recorded in advance from customers in the consolidated balance sheets, represent payment received in advance or payment received related to a material right provided to a customer to acquire additional goods or services at a discount in a future period. During the three months ended March 31, 2023 and 2024, the Group recognized $1,788 and $3,922 of revenue previously included in advance from customers as of January 1, 2023 and January 1, 2024, respectively.

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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

For share-based awards granted with a performance condition, the compensation cost is recognized when it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at the end of each reporting date and records a cumulative catch-up adjustment for any changes to its assessment. For performance-based awards with a market condition, such as awards using total shareholder return (“TSR”) as a performance metric, compensation expense is recognized on a straight-line basis over the estimated service period of the award, regardless of whether the market condition is satisfied. Liability-classified awards are remeasured at their fair-value-based measurement as of each reporting date until settlement. Forfeitures are recognized as they occur.

Operating leases

As of March 31, 2024, the Company recorded operating lease right-of-use (ROU) assets of $ 18,777 and operating lease liabilities of $18,760, including current portion in the amount of $2,526, which was recorded under accrued expenses and other current liabilities on the balance sheet.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to record in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the practical expedient not to separate lease and non-lease components of contracts. Lastly, for lease assets other than real estate, such as printing machines and electronic appliances, the Company elected the short-term lease exemption as their lease terms are 12 months or less.

As the rate implicit in the lease is not readily determinable, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated in a portfolio approach to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment. Lease expense is recorded on a straight-line basis over the lease term.

Warrant Liability

The Company accounts for warrants in accordance with the guidance contained in ASC 815-40 under which the warrants do not meet the criteria for equity treatment and must be recorded as liabilities. As the Private Warrants (as defined in Note 11 – Warrants) meet the definition of a derivative as contemplated in ASC 815, the Company classifies the Private Warrants as liabilities. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the condensed statements of operations. The Private Warrants are valued using a Monte Carlo simulation model on the basis of the quoted market price of Public Warrants (as defined in Note 11 – Warrants).

Recent accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 intends to improve reportable segment disclosure requirements, enhance interim disclosure requirements and provide new segment disclosure requirements for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods with fiscal years beginning after December 15, 2024. ASU 2023-07 is to be adopted retrospectively to all prior periods presented. The Company is currently assessing the impact this guidance will have on the consolidated financial statements and related disclosures.

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

In December 2023, the FASB issued ASU 2023-09 "Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 intends to improve the transparency of income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 and is to be adopted on a prospective basis with the option to apply retrospectively. The Company is currently assessing the impact of this guidance, however, the Company do not expect a material impact to the consolidated financial statements.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	December 31, 2023	March 31, 2024
Accounts receivable	$ 143,288	$ 128,608
Allowance for credit losses	(4,571)	(5,065)
Accounts receivable, net	**$ 138,717**	**$ 123,543**

Movement of allowance for credit losses was as follows:

	Three Months Ended March 31,	
	2023	**2024**
Balance at beginning of the period	$ 4,407	$ 4,571
(Reversal)/ charges of expenses	(1,094)	578
Write off	(66)	—
Exchange difference	23	(84)
Balance at end of the period	**$ 3,270**	**$ 5,065**

NOTE 4. INVENTORIES, NET

Inventories consisted of the following:

	December 31, 2023	March 31, 2024
Work in process	$ 86,379	$ 82,681
Raw materials	35,867	37,043
Finished goods	27,503	17,606
Total	**$ 149,749**	**$ 137,330**

No provision for obsolete inventories were recognized for the three months ended March 31, 2023 and 2024.

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 5. ACQUIRED INTANGIBLE ASSETS, NET

	December 31, 2023	March 31, 2024
Cost of acquired intangible assets	$ 5,472	$ 5,431
Less: accumulated amortization	(2,336)	(2,446)
Acquired intangible assets, net	**$ 3,136**	**$ 2,985**

The Group recorded amortization expense of $129 and $121 for the three months ended March 31, 2023 and 2024, respectively. No impairment losses were recognized for the three months ended March 31, 2023 and 2024.

The annual amortization expense for each of the five succeeding fiscal years and thereafter are as follows:

Nine months period ending December 31, 2024	$ 362
2025	480
2026	478
2027	472
2028	382
2029	376
Thereafter	435
Total	**$ 2,985**

NOTE 6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2023	March 31, 2024
Product warranty, current	$ 13,738	$ 13,401
Payables for purchase of property, plant and equipment	96,350	92,817
Other current liabilities	14,312	16,666
Accrued payroll and welfare	8,089	5,966
Accrued expenses	6,224	4,872
Interest payable	41	411
Other tax payable	7,117	572
Operating lease liabilities, current	2,413	2,526
Total	**$ 148,284**	**$ 137,231**

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NOTE 7. PRODUCT WARRANTY

Movement of product warranty was as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
Balance at beginning of the period	$ 42,060	$ 35,217
Provided during the period	2,530	3,269
Utilized during the period	(5,172)	(2,448)
Exchange difference	192	(590)
Balance at end of the period	**$ 39,610**	**$ 35,448**

	December 31, 2023	March 31, 2024
Product warranty – current	$ 13,738	$ 13,401
Product warranty – non-current	21,479	22,047
Total	**$ 35,217**	**$ 35,448**

NOTE 8. BANK BORROWINGS

On September 27, 2022, the Group entered into a $111,483 (RMB800 million) loan facilities agreement with a group of lenders led by a PRC Bank (the "2022 Facility Agreement"). The 2022 Facility Agreement had an effective drawdown period until June 9, 2023, which was extended to June 9, 2024 by a supplemental agreement signed in October 2023. Under the supplemental agreement, the Company has access to the remaining RMB 300 million undrawn amount under the 2022 Facility Agreement as of March 31, 2024. The interest rate is prime plus 115 basis points where prime is based on Loan Prime Rate published by the National Inter-bank Funding Center of the PRC and is payable on a quarterly basis. The loan facilities can only be used for the manufacturing capacity expansion at the Group's facility located in Huzhou, China. Accordingly, the Group has the balance of restricted cash of $6,171 and $2,213 as of December 31, 2023 and March 31, 2024, respectively. The 2022 Facility Agreement contains certain customary restrictive covenants, including but not limited to disposal of assets and dividend distribution without the consent of the lender, and certain customary events of default.

As of March 31, 2024, the Group had outstanding borrowings of $60,244 under the 2022 Facility Agreement.

Repayment Date	Repayment Amount
June 10, 2024	$8,606 (RMB62.1 million)
December 10, 2024	$8,607 (RMB62.1 million)
June 10, 2025	$8,607 (RMB62.1 million)
December 10, 2025	$8,606 (RMB62.1 million)
June 10, 2026	$12,909 (RMB93.2 million)
December 10, 2026	$12,909 (RMB93.2 million)

The amount of capitalized interest expenses, which was recorded in construction in progress and property, plant and equipment, was $ 524 and $0 for the three months ended March 31, 2023 and 2024, respectively.

The Group has also entered into short-term loan agreements and bank facilities with certain Chinese banks. The original terms of these loans are with a maximum maturity of 12 months and the interest rates range from 3.40% to 4.85% per annum.

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NOTE 8. BANK BORROWINGS - continued

Changes in bank borrowings are as follows:

	Three Months Ended March 31,	
	2023	2024
Beginning balance	$ 46,395	$ 79,153
Proceeds from bank borrowings	4,384	18,780
Repayments of principal	—	(12,520)
Exchange difference	185	(1,348)
Ending balance	**$ 50,964**	**$ 84,065**

Balance of bank borrowings includes:	December 31, 2023	March 31, 2024
Current	$ 35,392	$ 41,034
Non-current	43,761	43,031
Total	**$ 79,153**	**$ 84,065**

Certain assets of the Group have been pledged to secure the above bank facilities granted to the Group. The aggregate carrying amount of the assets pledged by the Group as of December 31, 2023 and March 31, 2024 are as follows:

	December 31, 2023	March 31, 2024
Buildings	$ 124,565	$ 120,960
Machinery and equipment	—	7,768
Land use rights	11,984	11,712
Construction in progress	—	599
Total	**$ 136,549**	**$ 141,039**

NOTE 9. OTHER NON-CURRENT LIABILITIES

	December 31, 2023	March 31, 2024
Product warranty - non-current	$ 21,479	$ 22,047
Deferred subsidy income- non-current	3,382	3,191
Total	**$ 24,861**	**$ 25,238**

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 10. BONDS PAYABLE

	December 31, 2023	March 31, 2024
Long–term bonds payable		
Huzhou Saiyuan	$ 43,157	$ 43,157
Total	**$ 43,157**	**$ 43,157**

On December 29, 2018, Microvast Power Systems Co., Ltd.('MPS'), one of the Company's subsidiaries, signed an agreement with Huzhou Saiyuan, an entity established by the local government, to issue convertible bonds to Huzhou Saiyuan for a total consideration of $87,776 (RMB600 million). The Company pledged its 12.39% equity holding over MPS to Huzhou Saiyuan to facilitate the issuance of these convertible bonds.

If the subscribed bonds are not repaid by the maturity date, Huzhou Saiyuan has the right to dispose of the equity interests pledged by the Company in proportion to the amount of matured bonds, or convert the bonds into equity interests of MPS within 60 days after the maturity date. If Huzhou Saiyuan decides to convert the bonds into equity interests of MPS, the equity interests pledged would be released and the convertible bonds would be converted into equity interest of MPS based on an entity value of MPS of $950,000.

In September 2020 and 2022, MPS entered into two supplement agreements with Huzhou Saiyuan, respectively, to change the repayment schedule as follows: (i) $14,629 (RMB100 million) was repaid, together with interest accrued, on or before November 10, 2022, (ii) $ 14,630 (RMB100 million) was repaid, together with interest accrued, on or before December 31, 2022, and (iii) the remaining $43,888 (RMB300 million) will be repaid, together with interest accrued, on or before January 31, 2027. The applicable interest rate will be increased to 12% if the Group is in default on the repayment of the bonds at the due date. The remaining terms and conditions of the convertible bonds were unchanged. The Company has complied in full with the amended repayment schedule and accordingly, as of March 31, 2024, the subscription and outstanding balance of the convertible bonds was $43,157 (RMB295 million).

NOTE 11. WARRANTS

The Company assumed 27,600,000 publicly-traded warrants ("Public Warrants") and 837,000 private placement warrants issued to Tuscan Holdings Acquisition LLC (the "Sponsor") and EarlyBirdCapital, Inc. ("EarlyBirdCapital") ("Private Warrants" and together with the Public Warrants, the "Warrants") upon the Business Combination, all of which were issued in connection with Tuscan's initial public offering (other than 150,000 Private Warrants that were issued in connection with the closing of the Business Combination) and entitle the holder to purchase one share of the Company's Common Stock at an exercise price of $11.50 per share. During the three months ended March 31, 2024, none of the Public Warrants or the Private Warrants were exercised.

The Public Warrants became exercisable 30 days after the completion of the Business Combination. The Public Warrants are only exercisable for cash, however, if the Company were to not maintain the effectiveness of the registration statement covering the shares of Common Stock issuable upon exercise of the Public Warrants, the Public Warrants would be exercisable on a net-share settlement basis. The Public Warrants will expire five years after the completion of the Business Combination or earlier upon redemption or liquidation.

Once the Public Warrants became exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption;
- if, and only if, the reported last sale price of the Company's Common Stock equals or exceeds $ 18.00 per share for any 20-trading days within a 30-trading day period ending on the third business day prior to the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of Common Stock underlying the warrants.

The Company classified the Public Warrants as equity. If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a net-share settlement basis.

The Private Warrants are identical to the Public Warrants, except that the Private Warrants will be exercisable for cash or on a net-share settlement basis, at the holder's option, and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. In addition, so long as the Private Warrants are held by EarlyBirdCapital and its designee, the Private Warrants will expire five years from the effective date of the Business Combination.

The exercise price and number of shares of Common Stock issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuance of Common Stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Warrants.

The Private Warrant liability was remeasured at fair value as of March 31, 2024, resulting in a gain of $ 42 for the three months ended March 31, 2024, classified within changes in fair value of warrant liability in the unaudited condensed consolidated statements of operations, respectively.

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 11. WARRANTS - continued

The Private Warrants were valued using the following assumptions under the Monte Carlo Model that assumes optimal exercise of the Company's redemption option at the earliest possible date:

	March 31, 2024
Market price of public stock	$ 0.84
Exercise price	$ 11.50
Expected term (years)	2.32
Volatility	82.92 %
Risk-free interest rate	4.42 %
Dividend rate	0.00 %

The market price of public stock is the quoted market price of the Company's Common Stock as of the valuation date. The exercise price is extracted from the warrant agreements. The expected term is derived from the exercisable years based on the warrant agreements. The expected volatility is a blend of implied volatility from the Company's own public warrant pricing, the average volatility of peer companies and the Company's historical volatility. The risk-free interest rate was estimated based on the market yield of US Government Bond with maturity close to the expected term of the warrants. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the warrants.

NOTE 12. FAIR VALUE MEASUREMENT

Measured or disclosed at fair value on a recurring basis

The Group measured its financial assets and liabilities, including cash and cash equivalents, restricted cash and warrant liability at fair value on a recurring basis as of December 31, 2023 and March 31, 2024. Cash and cash equivalents and restricted cash are classified within Level 1 of the fair value hierarchy because they are valued based on the quoted market price in an active market. The fair value of the warrant liability is based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy. In determining the fair value of the warrant liability, the Company used the Monte Carlo Model that assumes optimal exercise of the Company's redemption option at the earliest possible date. See Note 11 – Warrants.

As of December 31, 2023 and March 31, 2024, information about inputs for the fair value measurements of the Group's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

	Fair Value Measurement as of December 31, 2023			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 44,541	—	—	$ 44,541
Restricted cash	43,648	—	—	43,648
Total financial asset	**$ 88,189**	**—**	**—**	**$ 88,189**
Warrant liability	$ —	—	67	$ 67
Total financial liability	**$ —**	**—**	**67**	**$ 67**

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 12. FAIR VALUE MEASUREMENT - continued

Measured or disclosed at fair value on a recurring basis-continued

	Fair Value Measurement as of March 31, 2024			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 39,451	—	—	$ 39,451
Restricted cash	$ 47,253	—	—	$ 47,253
Total financial asset	**$ 86,704**	**—**	**—**	**$ 86,704**
Warrant liability	$ —	—	25	$ 25
Total financial liability	**$ —**	**—**	**25**	**$ 25**

The following is a reconciliation of the beginning and ending balances for Level 3 warrant liability during the three months ended March 31, 2023 and 2024:

	Three Months Ended March 31,	
	2023	**2024**
Balance at the beginning of the period	126	$ 67
Changes in fair value	(17)	(42)
Balance at end of the period	$ 109	$ 25

Measured or disclosed at fair value on a nonrecurring basis

The Group measured the long-lived assets using the income approach—discounted cash flow method, when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable.

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NOTE 13. LEASES

The Group has operating leases for office spaces and warehouses. Certain leases include renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

Operating lease cost for the three months ended March 31, 2024 was $ 860, which excluded cost of short-term contracts. Short-term lease cost for the three months ended March 31, 2024 was $159.

As of March 31, 2024, the weighted average remaining lease term was 10.0 years and weighted average discount rate was 5.2% for the Group's operating leases.

Supplemental cash flow information of the leases were as follows:

	Three months ended March 31, 2024	
Cash payments for operating leases	$	869
Right-of-use assets obtained in exchange for new operating lease liabilities	$	466

The following is a maturity analysis of the annual undiscounted cash flows for lease liabilities as of March 31, 2024:

	As of March 31, 2024	
Nine months period ending December 31, 2024	$	2,661
2025	$	2,810
2026	$	2,539
2027	$	2,396
2028	$	1,820
2029	$	1,628
Thereafter	$	9,901
Total future lease payments	**$**	**23,755**
Less: Imputed interest	$	(4,995)
Present value of operating lease liabilities	**$**	**18,760**

NOTE 14. SHARE-BASED PAYMENT

On July 21, 2021, the Company adopted the Microvast Holdings, Inc. 2021 Equity Incentive Plan (the “2021 Plan”), effective upon the Closing Date. The 2021 Plan provides for the grant of incentive and non-qualified stock option, restricted stock units, restricted share awards, stock appreciation awards, and cash-based awards to employees, directors, and consultants of the Company. Options awarded under the 2021 Plan expire no more than 10 years from the date of grant. Concurrently with the closing of the Business Combination, the share awards granted under 2012 Share Incentive Plan of Microvast, Inc. (the “2012 Plan”) were rolled over by removing original performance conditions and converting into options and capped non-vested share units with modified vesting schedules, using the Common Exchange Ratio of 160.3. The 2021 Plan reserved 5% of the fully-diluted shares of Common Stock outstanding immediately following the Closing Date plus the shares underlying awards rolled over from the 2012 Plan for issuance in accordance with the 2021 Plan’s terms.

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 14. SHARE-BASED PAYMENT - continued

Stock options

Stock options activity for the three months ended March 31, 2023 and 2024 was as follows:

Stock options life	Number of Shares	Weighted Average Exercise Price (US$)	Weighted Average Grant Date Fair Value (US$)	Weighted Average Remaining Contractual Life
Outstanding as of December 31, 2022	36,091,071	6.08	4.80	6.8
Grant	240,000	1.25	0.67	
Forfeited	(128,239)	6.28	4.86	
Outstanding as of March 31, 2023	36,202,832	6.05	4.77	6.6
Expected to vest and exercisable as of March 31, 2023	36,202,832	6.05	4.77	6.6
Exercisable as of March 31, 2023	11,779,651	6.19	5.00	6.7
Outstanding as of December 31, 2023	32,876,682	6.01	4.73	5.7
Forfeited	(884,470)	4.11	2.68	
Outstanding as of March 31, 2024	31,992,212	6.06	4.78	5.5
Expected to vest and exercisable as of March 31, 2024	31,992,212	6.06	4.78	5.5
Exercisable as of March 31, 2024	20,875,499	6.13	4.88	5.5

During the three months ended March 31, 2023 and 2024, the Company recorded share-based compensation expense of $13,659 and $12,028 related to the option awards, respectively.

The total unrecognized equity-based compensation costs as of March 31, 2024 related to the stock options was $ 17,104, which is expected to be recognized over a weighted-average period of 0.4 years. The aggregate intrinsic value of the stock options as of March 31, 2024 was $ 0.

Capped Non-vested share units

The capped non-vested share units ("CRSUs") represent rights for the holder to receive cash determined by the number of shares granted multiplied by the lower of the fair market value and the capped price, which will be settled in the form of cash payments. The CRSUs were accounted for as liability classified awards.

On June 27, 2022, the Board of Directors and Compensation Committee approved a modification of the settlement terms of 20,023,699 CRSUs under the 2021 Plan from cash settlement to share settlement (the "Modification"). Pursuant to the Modification, on each vesting date, if the stock price is higher than the capped price, the number of shares to be issued will be calculated based on the following formula:

Number of shares to be issued = Capped price* Number of shares vested /Vesting date stock price

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 14. SHARE-BASED PAYMENT - continued

Capped Non-vested share units-continued

If the stock price is equal to or less than the capped price, the Company will grant a fixed number of shares on each vesting date based on the vesting schedule. All other terms of the CRSUs remain unchanged. The Modification resulted in a change of the CRSUs' classification from liability to equity, as the predominant feature of the modified CRSUs was the granting of a fixed number of shares on each vesting date instead of a fixed monetary amount. The determination of the predominant feature was based on the estimated probability of how the awards will be settled using the Monte Carlo model.

At the Modification date, the Company reclassified the amounts previously recorded as a share-based compensation liability to additional paid-in capital. The modified CRSUs were accounted for as an equity award going forward from the date of the Modification with compensation expenses recognized for each tranche at the fair value measured on the modification date.

At the Modification date, the Company used the Monte Carlo valuation model in determining the fair value of the CRSUs with assumptions as follows:

	Modification Date	
Expected term (years)	0.07 ~	2.07
Volatility	50.93 % ~	73.89 %
Risk-free interest rate	1.15 % ~	3.05 %
Expected dividend yields	0.00%	

Expected term was the time left (in years) from the Modification date to the vesting date based on the terms of the applicable award agreements. The volatility of the underlying common stock was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the awards. Risk-free interest rate was estimated based on the market yield of US Government Bonds with maturity close to the expected term of the awards. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the awards.

During the three months ended March 31, 2023 and 2024, the Company recorded share-based compensation expense of $ 3,244 and $1,255, related to these CRSUs awards, respectively.

The total unrecognized equity-based compensation costs as of March 31, 2024 related to the CRSUs was $ 1,557.

Restricted Stock Units

Following the Business Combination, the Company granted 2,721,624 restricted stock units ("RSUs") and 2,680,372 performance-based restricted stock unit ("PSU") awards subject to service, performance and/or market conditions. The service condition requires the participant's continued services or employment with the Company through the applicable vesting date, and the performance condition requires the achievement of the performance criteria defined in the award agreement. The market condition is based on the Company's TSR relative to a comparator group during a specified performance period.

The fair value of RSUs is determined by the market closing price of Common Stock at the grant date and is amortized over the vesting period on a straight-line basis. The fair value of PSUs that include vesting based on market conditions are estimated using the Monte Carlo valuation method. For PSU awards with performance conditions, share-based compensation expense is only recognized if the performance conditions become probable to be satisfied. Compensation cost for these awards is amortized on a straight-line basis over the vesting period based on the grant date fair value, regardless of whether the market condition is satisfied. Accordingly, the Company recorded share-based compensation expense of $429 related to these RSUs and $(1,816) related to these PSUs during the three months ended March 31, 2024, respectively. During the three months ended March 31, 2023, the Company recorded share-based compensation expense of $447 related to these RSUs and $ 719 related to these PSUs, respectively.

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 14. SHARE-BASED PAYMENT - continued

Restricted Stock Units - continued

The non-vested shares activity for the three months ended March 31, 2023 and 2024 was as follows:

	Number of Non-Vested Shares	Weighted Average Grant Date Fair Value Per Share (US$)
Outstanding as of December 31, 2022	1,222,837	6.92
Grant	2,895,140	1.86
Vested	(111,437)	6.76
Forfeited	(14,904)	5.43
Outstanding as of March 31, 2023	3,991,636	3.26
Outstanding as of December 31, 2023	3,598,606	3.07
Grant	79,909	1.40
Vested	(501,653)	2.65
Forfeited	(441,562)	5.85
Outstanding as of March 31, 2024	2,735,300	2.65

The total unrecognized equity-based compensation costs as of March 31, 2024 related to the non-vested shares was $ 4,196.

The following summarizes the classification of share-based compensation:

	Three Months Ended March 31,	
	2023	2024
Cost of revenues	$ 1,504	$ 1,138
General and administrative expenses	12,168	8,167
Research and development expenses	3,014	1,777
Selling and marketing expenses	1,243	783
Construction in process	140	31
Total	**$ 18,069**	**$ 11,896**

NOTE 15. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	Three Months Ended March 31,	
	2023	2024
Numerator:		
Net loss attributable to common stock shareholders	$ (29,581)	$ (24,825)
Denominator:		
Weighted average common stock used in computing basic and diluted net loss per share	307,714,841	315,367,121
Basic and diluted net loss per share	$ (0.10)	$ (0.08)

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 15. NET LOSS PER SHARE - continued

For the three months ended March 31, 2023 and 2024, the following Common Stock outstanding were excluded from the calculation of diluted net loss per share, as their inclusion would have been anti-dilutive for the periods prescribed.

	Three Months Ended March 31,	
	2023	2024
Shares issuable upon exercise of stock options	36,054,182	32,249,831
Shares issuable upon vesting of non-vested shares	3,070,520	2,965,761
Shares issuable upon vesting of Capped non-vested shares	13,349,144	6,617,351
Shares issuable upon exercise of warrants	28,437,000	28,437,000
Shares issuable upon vesting of Earn-out shares	19,999,988	19,999,988
Shares issuable that may be subject to cancellation	1,687,500	1,687,500

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation

Corporate Governance Actions

The directors of Company predecessor, Tuscan (the “Tuscan Defendants”), and certain former and current Company officers have been named as defendants (the “Company Defendants”) in a purported class action lawsuit filed in the Delaware Court of Chancery (the "Court of Chancery") captioned *Matt Jacob v. Stephen A. Vogel, et al.* , No. 2022-0600-PAF (Del. Ch.) (filed July 7, 2022). As amended, the complaint alleges that Tuscan Defendants breached their fiduciary duties in connection with Tuscan’s acquisition of Microvast, Inc., including by making inadequate disclosures concerning the projected earnings of Microvast, Inc., and asserts claims for aiding and abetting that breach against the Company defendants. The plaintiff further alleges that once the earnings of the combined company became public, the Company’s stock dropped, causing losses to investors.

On December 13, 2023, in response to a stockholder litigation demand, the Company filed a petition in the Court of Chancery pursuant to Section 205 of the Delaware General Corporation Law seeking validation of an amendment to the Company’s Amended Certificate of Incorporation, the Business Combination and the issuance of the shares issued pursuant thereto, and the Company’s Second Amended and Restated Certificate of Incorporation adopted in connection with the Business Combination (collectively, the "Acts") to resolve any uncertainty with respect to those matters, which action was captioned *In re Microvast Holdings Inc* ., C.A. No. 2023-1245-PAF. On March 18, 2024, the Court of Chancery granted the petition, validating and declaring effective each Act as of the time and date such Act was originally taken.

The Company, the directors of Company predecessor, Tuscan, and certain former and current Company officers and directors have also been named as defendants in a litigation filed in the Court of Chancery captioned *Denish Bhavsar v. Stephen Vogel, et al.* , Case No. 2024-0137-PAF (Del. Ch.) (filed Feb. 14, 2024). The plaintiff purports to assert derivative claims on behalf of the Company. The complaint alleges that the individual defendants breached their fiduciary duties in connection with Tuscan’s acquisition of Microvast, Inc., including by making inadequate disclosures concerning Microvast, Inc.’s earnings and alleged conflicts of interest that existed between certain directors and Company stockholders.

The Company has received additional demands from purported Company stockholders, requesting that the Company’s Board of Directors investigate whether current and former directors and officers of the Company and its predecessors, Tuscan and Microvast Inc., breached their fiduciary duties by allegedly making material misrepresentations about *inter alia* (1) Microvast Inc.’s performance and financial health in connection with the merger between Tuscan and Microvast Inc., and (2) the Company’s loss of a conditional grant from the United States Department of Energy. The Company is reviewing the demands.

NOTE 16. COMMITMENTS AND CONTINGENCIES - continued

Litigation - continued

Securities Litigation

The Company and certain of its officers have also been named as defendants in a putative class action complaint by a shareholder of the Company in the U.S. District Court for the Southern District of Texas under the caption *Schelling v. Microvast Holdings, Inc.,* Case No. 4:23-cv-04565 (S.D. Tex.) (filed Dec. 5, 2023) (the "Schelling Action"). The complaint alleges that defendants violated certain federal securities laws by making misleading statements regarding the receipt of a conditional grant from the United States Department of Energy, the Company's profitability, and the nature of Company-associated operations in China. On March 1, 2024, the court appointed Co-Lead Plaintiffs and Co-Lead Counsel for the proposed class of Company investors. On March 14, 2024, the court approved a proposed schedule for filing of an amended complaint and briefing of a motion to dismiss. Plaintiffs must file an amended complaint by May 13, 2024. Defendants must file a motion to dismiss by June 27, 2024. Briefing on the motion to dismiss will be completed by September 10, 2024.

The Company and certain of its officers and directors have also been named as defendants in three derivative actions filed in the Southern District of Texas under the captions *Bhavsar v. Wu et al.*, No. 4:24-cv-00372 (S.D. Tex.) (filed Jan. 31, 2024), *Marti et al v. Wu et al*, Case No. 4:24-cv-00633 (S.D. Tex.) (filed Feb. 23, 2024), *Gidaro v. Wu et al*, Case No. 4:24-cv-00828 (S.D. Tex.) (filed Mar. 6, 2024). The complaints allege that the officer and director defendants violated the federal securities laws by making inadequate disclosures substantially similar to those alleged in the *Schelling* Action. The complaints further allege that these inadequate disclosures resulted from, and constituted, breaches of the officer and director defendants' fiduciary duties. On February 24, 2024, the court entered in an order in the first-filed case, *Bhavsar v. Wu* et al., No. 4:24-cv-00372, consolidating the *Bhavsar* case and *Marti et al v. Wu et al*, Case No. 4:24-cv-00633. The consolidated derivative litigation (the "Consolidated Derivative Action") is captioned *In re Microvast Holdings, Inc. Derivative Litigation*, Lead Case No. 4:24-cv-00372 (S.D. Tex.). The parties in the *Gidardo* action filed a stipulation to consolidate the *Gidaro* case into the Consolidated Derivative Action. The Consolidated Derivative Action is stayed pending disposition of an anticipated motion to dismiss in the *Schelling* Action.

Pursuant to the Company's governing documents and indemnification agreements entered into by the Company with certain of the named defendants, in the above-described actions, the Company has indemnified those defendants for all expenses and losses related to the litigation subject to the terms of those indemnification agreements. While the lawsuits are being vigorously defended, other reported lawsuits of this type have resulted in a broad range of outcomes, with each case being dependent on its own unique set of facts and circumstances. Litigation of this kind can lead to settlement negotiations, including negotiations prompted by pre-trial civil court procedures. The outcome of any litigation is inherently uncertain, and there is always the possibility that a court rules in a manner that is adverse to the interests of the Company and the individual defendants. However, the amount of any such loss in that scenario, which could be material, cannot be reasonably estimated at this time.

Other Matters

The Company and Microvast Energy, Inc. ("Microvast Energy"), a subsidiary of the Company, have been named as defendants in a litigation filed in the Chancery Court for the State of Tennessee under the caption *Stoncor Group, Inc. v. Microvast, Inc., et al*, Case No. CD-24-12 (Tenn. Ch.) (filed Mar. 18, 2024). The plaintiff alleges that the Company failed to pay it for construction work that it performed on a Microvast Energy facility in Tennessee, and seeks damages of $1,251, plus certain fees and expenses, and foreclosure on the facility to satisfy the payment allegedly owed.

The Group is also involved in other litigation, claims, and proceedings. The Group evaluates the status of each legal matter and assesses the potential financial exposure. If the potential loss from any legal proceedings or litigation is considered probable and the amount can be reasonably estimated, the Group accrues a liability for the estimated loss. Significant judgment is required to determine the probability of a loss and whether the amount of the loss is reasonably estimated. As of December 31, 2023 and March 31, 2024, based on the information currently available, the Group believes that any loss contingencies that may arise as a result of currently pending legal proceedings cannot be accurately quantified at this time and thus cannot determine whether they will have a material adverse effect on the Group's business, results of operations, financial condition, and cash flows.

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 16. COMMITMENTS AND CONTINGENCIES - continued

Capital commitments

Capital commitments for construction of property and purchase of property, plant and equipment were $ 64,960 as of March 31, 2024, which is mainly for the construction of lithium battery production lines.

Purchase Commitments

Purchase commitments for non-cancelable contractual obligations primarily related to purchases of inventory were $ 57,848 as of March 31, 2024.

Pledged assets

Other than those disclosed in Note 8, the Group may pledge certain assets to banks to secure the issuance of bank acceptance notes for the Group. As of March 31, 2024, notes receivable from customers in the amount of $9,277 and certificate of deposits in the amount of $ 3,604, together with certain of our machinery and equipment with a carrying value of $26,877 has been pledged to secure the issuance of such notes.

Liens and Notices of Non-payment

As of March 31, 2024, the Company has received $ 31,713 of liens and $ 5,456 of notices of non-payment.

NOTE 17. SUBSEQUENT EVENTS

Subsequent funding activities

From first quarter end to the date of issuance of the financial statements in this Report, the Company received $ 1,385 of short-term bank borrowings.

Liens and Notices of Non-payment

From first quarter end to the date of issuance of the financial statements in this Report, the Company has received $ 1,760 of liens and $ 3,382 of notices of non-payment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References in this Report to the "Company," "Microvast Holdings, Inc.," "Microvast," "our," "us" or "we" refer to Microvast Holdings, Inc. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited interim condensed financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Business

Microvast Holdings, Inc., an advanced battery technology company, is headquartered in Stafford, Texas, and publicly traded on the NASDAQ. We design, develop and manufacture battery components and systems primarily for electric commercial vehicles and utility-scale energy storage systems ("ESS").

Founded in 2006, Microvast was built on a guiding principle that remains core to our mission today: to innovate lithium-ion battery design without relying on past technologies. We call this true innovation. We started without preconceived notions of lithium-ion battery creation, unlike many companies that repurposed legacy technologies for new markets like electric vehicles—a process we consider product development rather than true innovation. To understand this difference, is to understand what we have set out to achieve.

Our mission is to accelerate the adoption of electric vehicles and renewable energy through innovative battery technologies and solutions, driving the transition to a sustainable economy. Specifically, we aim to spearhead U.S. domestic battery production in what is a strategically vital sector and allowing over time for the reliance on supplies from overseas manufacturers to be reduced. We believe continuous investment in our technology and operations will deliver long-term targeted revenue and income growth.

Through a vertically integrated approach, we have developed proprietary technologies spanning the entire battery system, from basic cell materials (cathode, anode, electrolyte, separator) to cooling systems and software controls. Since our inception, we have primarily focused on developing new battery solutions for the transportation industry which requires batteries that are ultra-fast charging, high energy density, long-lasting and safe.

In the future, in addition to expanding our production of battery systems and battery components, we expect to increase our focus on producing ESS solutions to support the shift to electrification, with the goal of becoming a leading global ESS solution provider to the energy market. This necessity stems from the premise that electric vehicles are truly green only if powered by green energy. Addressing this symbiotic relationship is at the heart of our research activities and we expect it will shape our strategies for the foreseeable future.

Our most recent innovation is our high-energy nickel manganese cobalt ("NMC") 53.5 ampere-hour battery cell (the "53.5Ah"), whose performance characteristics make it an ideal solution for commercial vehicle and ESS applications. To bring this product to market we have made significant investments in capacity expansion in Huzhou, China. This facility employs fully-automated production equipment for the 53.5Ah cell, ensuring significant operating efficiencies.

We have also made significant investments in our capacity expansion in Clarksville, Tennessee and by the fourth quarter of 2023 had started to install certain sections of the production line. However, progress on certain third party construction workstreams as well as taking delivery and possession of further equipment started to be impacted toward the end of the fourth quarter due to the required funding to complete the project not being secured. We expect the 53.5Ah cell to be our dominant revenue driver for this next phase of our growth.

Since 2009, when we launched our first ultra-fast battery system, we have sold and delivered approximately 4,840.7 megawatt hours ("MWh") of battery systems. Our revenue for the period ended March 31, 2024, increased $34.4 million to $81.4 million, a 73% increase compared to the period ended March 31, 2023. As of March 31, 2024, we had an order backlog of approximately $348.3 million for our battery systems (the equivalent of approximately 1,765.8 MWh), over 80% of which is attributable to Europe and the U.S.. We expect to fulfill a majority of our backlog within 2024 and 2025.

Completion of the Business Combination

On July 23, 2021, Microvast Holdings, Inc. (formerly known as Tuscan Holdings Corp.) consummated the previously announced acquisition of Microvast, Inc., a Delaware corporation, pursuant to the Agreement and Plan of

Merger dated February 1, 2021, between Tuscan, Microvast and TSCN Merger Sub Inc., a Delaware corporation, pursuant to which Merger Sub merged with and into Microvast, with Microvast surviving the merger.

Going Concern

In accordance with Accounting Standards Codification (“ASC”) Topic 205-40, Going Concern, we evaluate whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern. This evaluation includes considerations related to our liquidity resource. Given the uncertainties around our liquidity as described in Note 2 to the unaudited condensed consolidated financial statements of this Quarterly Report and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we have concluded that there is substantial doubt about our ability to continue as a going concern for at least one year from the date of issuance of the unaudited consolidated financial statements included elsewhere in this Quarterly Report. For more information, see Note 2 to the unaudited consolidated financial statements of this Quarterly Report and the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2023 "There is substantial doubt regarding our ability to continue as a going concern", "We may be unable to meet our current capital requirements and will require additional capital to meet our outstanding accounts payable and current liabilities".

Key Factors Affecting Our Performance

We believe that our future success will be dependent on several factors, including those discussed below. While these areas represent opportunities for us, they also represent challenges and risks that we must successfully address in order to continue the growth of our business and improve our results of operations.

Technology and Product Innovation

Our financial performance is driven by development and sales of new products with innovative technology. Our ability to develop innovative technology has been and will continue to be dependent on our dedicated research team. As part of our efforts to develop innovative technology, in October 2021, we expanded our R&D footprint in Orlando by purchasing a 75,000 square foot facility dedicated to R&D. We plan to continue expanding our R&D presence in the U.S. We also plan to continue leveraging our knowledge base in our overseas locations, including China and to continue expanding our R&D efforts on a global basis. We expect our results of operations will continue to be impacted by our ability to develop new products with improved performance and reduced ownership cost, as well as the cost of our R&D efforts.

Market Demand

Our revenue and profitability depend substantially on the demand for battery systems and battery components, which is driven by the growth of the commercial and passenger electric vehicle and energy storage markets. Many factors contribute to the development of the electric vehicle and battery energy storage sector, including product innovation, general economic and political conditions, environmental concerns, energy demand, government support and economic incentives(e.g., the IRA in the U.S. and the E.U. Green Deal, E.U. Fit for 55). While governmental economic incentives and mandates can drive market demand for the markets in which we operate and, as a result, battery systems and components, governmental economic incentives can always be gradually reduced or eliminated. Any reduction or elimination of governmental economic incentives may result in reduced demand for our products and adversely affect our financial performance.

Manufacturing Capacity

Our growth depends on being able to meet anticipated demand for our products. In order to do this, we will need to increase our manufacturing capacity. As of March 31, 2024, we had a backlog of approximately $348.3 million for our battery systems, equivalent to approximately 1,765.8 MWh. So far, we have used $435.8 million of the proceeds from the Business Combination to expand our manufacturing facilities in order to increase our manufacturing output, enabling us to address our backlog and to capture growing market opportunities.

In the third quarter of 2023, we successfully completed the 2 GWh cell, module and tray capacity expansion for our 53.5Ah cell technology in Huzhou, China. The demand for our 53.5Ah cell technology from our commercial vehicle and ESS customer base will be primarily met from this facility until the Clarksville Phase 1A expansion is completed and in production. Subject to our ability to access additional financing to continue and complete this expansion, management now estimates that Clarksville Phase 1A will be producing qualified 53.5Ah cells beginning approximately eight months after we secure such financing.

The main reason for this delay is that the funding we had hoped to secure was not in place by the fourth quarter of 2023. Although we had started our fund raising efforts during the first quarter of 2023, in the expectation we would be able to secure a favorable financing before the end of the year, we experienced a number of events during the year that prospective lenders regarded as negatively changing the risk profile of providing a debt financing to the Company. Notable amongst these were the DOE's decision to withdraw the grant award in the second quarter of 2023 and most recently the report issued by J Capital in the fourth quarter of 2023.

Without access to debt financing we were unable to progress the Clarksville Phase 1A expansion project on its intended timetable, and further progress is still contingent on having full access to funding to complete the remaining project work.

Future capacity expansions, will require significant capital expenditures and will require a corresponding expansion of our supporting infrastructure, further development of our sales and marketing team, an expansion of our customer base and strengthened quality control. This capacity expansion will be carried out in a measured manner based on our ongoing assessment of medium- and long-term demand for our solutions.

Sales Geographic Mix

After initially being focused on the Asia & Pacific regions, we have expanded and continue to expand our presence and product promotion to Europe and the U.S. to capitalize on the rapidly growing electric vehicle and battery energy storage markets in those geographies. As we continue to expand our geographic focus to Europe and the U.S., we believe sales of our products in Europe and the U.S. will have the potential to generate higher gross margins because average sales prices for customers in Europe and the U.S. are typically significantly higher than the average sales prices in China. It has been our experience that buyers in Europe and the U.S. are more motivated by the technologies and quality of our products than are buyers in China, making them less sensitive to the price of our products than are similarly situated buyers in China where we are also faced with intense competition from local Chinese battery manufacturers. Therefore, the geographic sources of our revenue will have an impact on our revenue and gross margins.

Manufacturing Costs

Our profitability may also be affected by our ability to effectively manage our manufacturing costs. Our manufacturing costs are affected by fluctuations in the price of raw materials. If raw material prices increase, we will have to offset these higher costs either through price increases to our customers or through productivity improvements. Our ability to control our raw materials costs is also dependent on our ability to negotiate with our suppliers for a better price and our ability to source raw materials from reliable suppliers in a cost-efficient manner. In addition, we expect that an increase in our sales volume will enable us to lower our manufacturing costs through economies of scale.

Regulatory Landscape

We operate in an industry that is subject to many established environmental regulations, which have generally become more stringent over time, particularly with respect to hazardous waste generation and disposal and pollution control. These regulations affect the cost of our products and our gross margins. We are also affected by regulations in our target markets, such as economic incentives to purchasers of electric vehicles, tax credits for electric vehicle manufacturers or developers of renewable energy projects, and economic penalties that may apply to a car manufacturer based on its fleet-wide emissions or more generally legislation aimed at reducing GHGs. Each of these regulations may expand the market size for both electric vehicles and energy storage , which would, in turn, benefit us. We have operations and sales in China, the Asia & Pacific region, Europe and the U.S. and, as a result, changes in trade restrictions and tariffs could impact our ability to meet projected sales or margins.

Basis of Presentation

We currently conduct our business through one operating segment. Our historical results are reported in accordance with U.S. GAAP and in U.S. dollars.

Components of Results of Operations

Revenues

We derive revenue from the sales of our electric battery products, including LpTO, LpCO, MpCO, HpCO and HnCo battery power systems. While we have historically marketed and sold our products primarily in China and the wider Asia-Pacific region, we are also expanding our sales presence internationally. The following table sets forth a breakdown of our revenue by major geographic regions in which our customers are located, for the periods indicated:

	Three Months Ended March 31,			
	2023		2024	
(In thousands)	**Amt**	**%**	**Amt**	**%**
People's Republic of China ("PRC")	*$ 32,612*	*69 %*	*$ 27,192*	*33 %*
Other Asia & Pacific countries	*3,149*	*7 %*	*23,294*	*29 %*
Asia & Pacific	**35,761**	**76 %**	**50,486**	**62 %**
Europe	**10,185**	**22 %**	**28,921**	**36 %**
U.S.	**1,027**	**2 %**	**1,944**	**2 %**
Total	**$ 46,973**	**100 %**	**$ 81,351**	**100 %**

We have historically derived a portion of our revenue in a given reporting period from a limited number of key customers, which vary from period to period. The following table summarizes net revenues from customers that accounted for over 10% of our net revenues for the periods indicated:

	Three Months Ended March 31,	
	2023	**2024**
A	26 %	*%
B	18 %	32 %
C	12 %	*%
D	*%	21 %

*Revenue from such customers represented less than 10% of our revenue during the respective periods.

Cost of Revenues and Gross Profit

Cost of revenues includes direct and indirect materials, manufacturing overhead (including depreciation, freight and logistics), warranty reserves and expenses, provision for obsolete inventories, and labor costs and related personnel expenses, including stock-based compensation and other related expenses that are directly attributable to the manufacturing of products.

Gross profit is equal to revenues less cost of revenues. Gross profit margin is equal to gross profit divided by revenues.

Operating Expenses

Operating expenses consist of selling and marketing, general and administrative and research and development expenses.

Selling and marketing expenses. Selling and marketing expenses consist primarily of personnel-related costs associated with our sales and marketing functions, including share-based compensation, and other expenses related to advertising and promotions of our products. We intend to hire additional sales personnel, initiate additional marketing programs and build additional relationships with our customers. Accordingly, we expect that our selling and marketing expenses will continue to increase in absolute dollars in the long term as we expand our business.

General and administrative expenses. General and administrative expenses consist primarily of personnel-related expenses associated with our executive team members, including share-based compensation, legal, finance, human resource and information technology functions, as well as fees for professional services, depreciation and amortization and insurance expenses. We expect to incur additional costs as we hire personnel and enhance our infrastructure to support the anticipated growth of our business.

Research and development expenses. Research and development expenses consist primarily of personnel-related expenses, including share-based compensation, raw material expenses relating to materials used for experiments, utility expenses and depreciation expenses attributable to research and development activities. Over time, we expect our research and development expense to increase in absolute dollars as we continue to make significant investments in developing new products, applications, functionality and other offerings.

Subsidy Income

Government subsidies represent government grants received from local government authorities. The amounts of and conditions attached to each subsidy were determined at the sole discretion of the relevant governmental authorities. Our subsidy income is non-recurring in nature.

Other Income and Expenses

Other income and expenses consist primarily of interest expense associated with our debt financing arrangements, interest income earned on our cash balances, gains and losses from foreign exchange conversion, and gains and losses on disposal of assets.

Income Tax Expense

We are subject to income taxes in the U.S. and foreign jurisdictions in which we do business, namely the PRC, Germany and the UK. These foreign jurisdictions have statutory tax rates different from those in the U.S. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to U.S. income, the absorption of foreign tax credits, changes in the valuation of our deferred tax assets and liabilities and changes in tax laws. We regularly assess the likelihood of adverse outcomes resulting from the examination of our tax returns by the U.S. Internal Revenue Service (the “IRS”), and other tax authorities to determine the adequacy of our income tax reserves and expense. Should actual events or results differ from our current expectations, charges or credits to our income tax expense may become necessary. Any such adjustments could have a significant impact on our results of operations.

Income tax in the PRC is generally calculated at 25% of the estimated assessable profit of our subsidiaries in the PRC, except that two of our PRC subsidiaries were qualified as “High and New Tech Enterprises” and thus enjoyed a preferential income tax rate of 15%. Federal corporate income tax rate of 21% is applied for our U.S. entity. Income tax in the UK is calculated at an average tax rate of 19% of the estimated assessable profit of our subsidiary in the UK. German enterprise income tax, which is a combination of corporate income tax and trade tax, is calculated at 29.9% of the estimated assessable profit of our subsidiary in Germany.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 to the Three Months Ended March 31, 2023

The following table sets forth our historical operating results for the periods indicated:

	Three Months Ended March 31,		$ Change	% Change
	2023	2024		
Amount in thousands				
Revenues	$ 46,973	$ 81,351	$ 34,378	73.2 %
Cost of revenues	(42,115)	(64,126)	(22,011)	52.3 %
Gross profit	4,858	17,225	12,367	254.6 %
	10.3 %	21.2 %		
Operating expenses:				
General and administrative expenses	(20,385)	(23,794)	(3,409)	16.7 %
Research and development expenses	(10,861)	(11,492)	(631)	5.8 %
Selling and marketing expenses	(4,988)	(5,591)	(603)	12.1 %
Total operating expenses	(36,234)	(40,877)	(4,643)	12.8 %
Subsidy income	77	534	457	593.5 %
Operating loss	(31,299)	(23,118)	8,181	(26.1)%
Other income and expenses:				
Interest income	1,381	119	(1,262)	(91.4)%
Interest expense	(459)	(1,732)	(1,273)	277.3 %
Changes in fair value of warrant liability	17	42	25	147.1 %
Other income (expense), net	789	(136)	(925)	(117.2)%
Loss before income tax	(29,571)	(24,825)	4,746	(16.0)%
Income tax expense	—	—	—	— %
Net loss	$ (29,571)	$ (24,825)	$ 4,746	(16.0)%
Less: net income attributable to noncontrolling interests	10	—	(10)	(100.0)%
Net loss attributable to Microvast Holdings, Inc.'s shareholders	$ (29,581)	$ (24,825)	$ 4,756	(16.1)%

Revenues

Our revenues increased from approximately $47.0 million for the three months ended March 31, 2023 to approximately $81.4 million for the same period in 2024, primarily driven by an increase in sales volume from approximately 132.6 MWh for three months ended March 31, 2023 to approximately 353.3 MWh for the same period in 2024.

Cost of Revenues and Gross Profit

Our cost of revenues for the three months ended March 31, 2024 increased by $22.0 million, or 52.3%, compared to the same period in 2023. The increase in the cost of revenues was primarily in line with the increased sales.

Our gross margin increased from 10.3% for the three months ended March 31, 2023 to 21.2% for the same period in 2024. The increase in gross margin was due to a combination of factors including better economies of scale through improving utilization, more favorable product mix and lower raw material prices.

Operating Expenses

Selling and Marketing

Selling and Marketing expenses for the three months ended March 31, 2024 were stable compared to the same period in 2023.

General and Administrative

General and Administrative expenses for the three months ended March 31, 2024 increased by $3.4 million, or 16.7%, compared to the same period in 2023. The increase in General and Administrative expenses was primarily due to $2.3 million of increased personnel-related expenses and other increases related to business expansion.

Research and Development

R&D expenses for the three months ended March 31, 2024 were stable compared to the same period in 2023.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily from capital contributions from equity holders, the issuance of convertible notes and bank borrowings.

As of March 31, 2024, our principal sources of liquidity were our cash and cash equivalents and restricted cash in the amount of $86.7 million.

The consolidated net cash position as of March 31, 2024 included cash and cash equivalents of $23.2 million and $8.2 million held by our PRC and European subsidiaries, respectively, that is not available to fund our U.S. operations unless funds are repatriated. Should we need to repatriate to the U.S. part or all of the funds held by our international subsidiaries in the form of a dividend, we would need to accrue and pay withholding taxes. We do not intend to pay any cash dividends on our common stock in the foreseeable future and intend to retain all of the available funds and any future earnings for use in the operation and expansion of our business in the PRC, Europe and the U.S.

In accordance with Accounting Standards Update ("ASU") No. 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40),” management has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of the unaudited condensed consolidated financial statements are issued and has determined that the Company’s ability to continue as a going concern is dependent on its ability to raise additional capital or secure financing. In light of the Company’s projected capital expenditures required to complete and ramp-up its Clarksville Phase 1A expansion and operating requirements under its current business plan, the Company is projecting that its existing cash and assets available for sale and equity securities will not be sufficient to fund its operations through the next twelve months. These conditions and events raise substantial doubt about the Company’s ability to continue as a going concern.

To alleviate the conditions and events that raise substantial doubt about the Company’s ability to continue as a going concern, management is seeking to secure a loan intended to support the Tennessee capacity expansion for which the amount may be disbursed in multiple advances. As of the date of issuance of the financial statements, the Group is in the process of negotiating a credit agreement of $150.0 million with the lender (the “Proposed Term Loan”) with a maturity term of 4 years after closing. Under the Proposed Term Loan, advances are subject to the satisfaction or waiver of a number of conditions, including but not limited to resolution of liens filed by suppliers on the Tennessee project, the delivery of certain customary certifications, as well as opinions from its legal counsel as to certain matters related to the applicability and availability of certain tax credits and enforceability, the assignment to a US subsidiary of certain assets related to the Tennessee project and payment to the lender of certain upfront fees and expenses. Additionally, prior to finalizing the Proposed Term Loan, certain other arrangements have to be negotiated, which include but are not limited to, entering into a warrant agreement with the lender to grant certain warrants for the company's Common shares and entering into a $30.0 million working capital loan with another lender simultaneously with the Proposed Term Loan. The $30.0 million working capital loan shall be subordinated to the Proposed Term Loan and funded in full as a condition precedent to the closing of the Proposed Term Loan. The Company is in process of negotiating those arrangements. We may not reach a final agreement with the lender or be able to meet all of the conditions precedent to get advances of the loan under the Proposed Term Loan if entered into. There also may be a delay in getting advances of the Proposed Term Loan thereby necessitating additional bridge funding to be obtained by the Company.

Besides the Proposed Term Loan, the Company is currently evaluating several different other funding initiatives. Such initiatives in consideration include the issuance of debt or equity instruments and/or the sale or disposal of certain US real estate assets that are not integral to its cell manufacturing or assembly operations. The Company is also considering strategic cost cutting measures to preserve cash and liquidity.

In addition to the above, the Company has engaged an investment bank to assess strategic alternatives, provide advisory services and to solicit additional financing from third-party sources.

The amount of additional capital that the Company will need to raise may change based on changes to the Company's business plan and changes to management's assumptions regarding projected liquidity. Although the Company has been successful in raising capital in the past and expects to continue to raise capital as required, those plans are not final and are subject to market and other conditions not within the Company's control. As such, there can be no assurance that the Company will be successful in obtaining sufficient funding. Accordingly, management has concluded under the accounting standards that these plans do not alleviate substantial doubt about the Company's ability to continue as a going concern.

Financings

As of March 31, 2024, we had bank borrowings of $84.1 million, the terms of which range from 0.5 to 33 months. The interest rates on our bank borrowings ranged from 3.40% to 4.85% per annum. As of March 31, 2024, we had convertible bonds outstanding of $43.2 million, with interest rates ranging from 3% to 4%. The convertible bonds are all due in 2027. As of March 31, 2024, we were in compliance with all material terms and covenants of our loan agreements, credit agreements and bonds.

On July 23, 2021, we received $708.4 million from the completion of the Business Combination, $705.1 million net of transaction costs paid by Microvast, Inc. We have used $435.8 million of the net proceeds from the Business Combination to expand our manufacturing facilities and for the purchase of property and equipment associated with our existing manufacturing and R&D facilities. In addition, $129.9 million of the net proceeds were used for working capital as of March 31, 2024.

The exercise price for our outstanding warrants is $11.50 per share of common stock, and the trading price of our common stock was $0.43 as of May 6, 2024. There is no guarantee that the warrants will be exercised prior to their expiration, however, we do not expect this to impact our liquidity.

Capital expenditures and other contractual obligations

Our capital expenditures amounted to $150.9 million and $186.8 million for the years ended December 31, 2022 and 2023, respectively. Our capital expenditures in 2022 and 2023 related primarily to the construction of manufacturing facilities under our Clarksville Phase 1A expansion and Huzhou, China.

In 2021, we started our capacity expansion plans in Huzhou, China, Berlin, Germany and Clarksville, Tennessee. The project in Germany was completed in 2021. The China Phase 3.1 capacity expansion was successfully completed in the third quarter of 2023.

Because of delays in securing additional financing, including our fund-raising process being negatively impacted by the loss of the DOE grant, in the fourth quarter of 2023 we experienced slow progress in continuing construction of our Clarksville Phase 1A expansion, slowing down certain project work streams due to the need for additional financing. This has resulted in further delays and costs with negative effects on our liquidity and ability to meet accounts payable, especially for our U.S. operations. The proceeds from the Business Combination alone will not be sufficient to complete the Clarksville Phase 1A capacity expansion and meet our general working capital needs. Further, due to the working capital needs of MPS China and adverse tax consequences as well as foreign restrictions, we are unable to repatriate cash from China to pay our accounts payable in the U.S. and fund the continued expansion of our U.S. operations. We are seeking alternate sources of capital. Until financing is in place, this will limit our growth opportunities especially in the U.S. market where our customers desire products that meet their domestic content requirements. Also, we will be forgoing potential IRA credits until such time as the Clarksville Phase 1A expansion is in operation.

We expect the total capital expenditures related to these capacity expansions in Huzhou, China and Clarksville, Tennessee to be in the range of $480.0 million to $530.0 million Our planned capital expenditures are based on management's current estimates and may be subject to change. There can be no assurance that we will execute our capital expenditure plans as contemplated at or below-estimated costs, and we may also from time-to-time determine to undertake additional capital projects and incur additional capital expenditures. As a result, actual capital expenditures in future years may be more or less than the amounts shown.

Our future capital requirements will depend on many factors, including, but not limited to funding planned production capacity expansions and for general working capital. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses or technologies. We may need to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital or secure financing when desired, or on terms that are acceptable to us, our business, financial condition and results of operations could be adversely affected. There are no material off-balance sheet arrangements other than those described below.

Lease Commitments

We lease certain facilities and equipment under non-cancellable lease agreements that expire at various dates through 2036. For additional information, see Note 13 – Leases, in the notes to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report on Form 10-Q.

Purchase Commitments

We regularly enter into non-cancelable contractual obligations primarily related to purchases of inventory. As of March 31, 2024, such purchase commitments, which do not qualify for recognition on our Unaudited Condensed Consolidated Balance Sheets, amount to $57.8 million , most of which is short-term.

There have not been any other material changes during the three months ended March 31, 2024 to our contractual obligations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Cash Flows

The following table provides a summary of our cash flow data for the periods indicated:

	Three Months Ended March 31,	
	2023	**2024**
Amount in thousands		
Net cash (used in) generated from operating activities	(11,166)	2,031
Net cash used in investing activities	(35,825)	(4,525)
Net cash generated from financing activities	4,384	6,260

Cash Flows from Operating Activities

During the three months ended March 31, 2024, our operating activities generated $2.0 million in cash. This increase in cash consisted of (1) a net loss of $24.8 million and non-cash charges of $24.0 million, of which $7.5 million is depreciation of property, plant and equipment and $11.9 million is non-cash share-based compensation expense; and (2) a $2.9 million increase in cash flows from operating assets and liabilities including $22.6 million cash inflow due to the net decrease of accounts receivable and notes receivable, $16.3 million decrease in inventories, $26.8 million cash outflow from accounts payable and notes payable, $6.3 million cash outflow from accrued and other liabilities and prepaid expense and other current asset, and $2.9 million cash outflow from other operating assets and liabilities.

Cash Flows from Investing Activities

During the three months ended March 31, 2024, cash used in investing activities totaled $4.5 million. This cash outflow primarily consisted of capital expenditures related to the expansion of our manufacturing facilities and to the purchase of property and equipment associated with our existing manufacturing and R&D facilities.

Cash Flows from Financing Activities

During the three months ended March 31, 2024, cash generated from financing activities totaled $6.3 million. This cash inflow was a result of $18.8 million proceeds from bank borrowings offset by $12.5 million repayment on bank borrowings.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no substantial changes to these estimates, or the policies related to them during the three months ended March 31, 2024. For a full discussion of these estimates and policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Exposure Risk

Our cash and cash equivalents consist of cash and money market accounts. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant. In addition, our bonds payable bear interest at fixed rates and are not publicly traded. Our project finance loans in China contain a spread of 115 basis points over the Loan Prime Rate in China and accordingly are exposed to movements in that reference rate. Therefore, interest expense going forward could be materially affected by changes in the market interest rates.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash equivalents have a short maturity, our portfolio’s fair value is relatively insensitive to interest rate changes. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

Foreign Currency Exchange Risk

We have a large operational presence in China and a significant amount of our transactions are currently denominated in RMB. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our operating results as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances, and intercompany balances that are denominated in currencies other than the U.S. Dollar, principally RMB. The effect of an immediate 10% adverse change in foreign exchange rates on Renminbi-denominated accounts as of March 31, 2024, including intercompany balances, would result in a foreign currency loss of $13.5 million. In the event our foreign sales and expenses increase, our operating results may be more affected by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Credit Risk

Our credit risk primarily relates to our trade and other receivables, restricted cash, cash equivalents and amounts due from related parties. We generally grant credit only to clients and related parties with good credit ratings and also closely monitor overdue debts. In this regard, we consider that the credit risk arising from our balances with counterparties is significantly reduced.

The assumptions used in evaluating our exposure to credit losses associated with our financing receivables portfolio involve estimates and significant judgment. Holding other estimates constant, a hypothetical 100 basis points increase in the expected loss rate on the financing receivables portfolio would have resulted in an increase in the allowance for credit losses of approximately $0.7 million as of March 31, 2024.

In order to minimize the credit risk, we have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. We will negotiate with the counterparties of the debts for settlement plans or changes in credit terms, should the need arise. In this regard, we consider that our credit risk is significantly reduced.

Seasonality

We have historically experienced higher sales during our third and fourth fiscal quarters as compared to our first and second fiscal quarters. However, our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2024. Based upon that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2024, as a result of the material weakness identified below.

In light of this material weakness, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. GAAP. Based on such analysis and notwithstanding the identified material weakness, management, including our Chief Executive Officer and Interim Chief Financial Officer, believe the unaudited condensed consolidated financial statements included in this Annual Report fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Material Weakness

In connection with the audit of the financial year ended December 31, 2023, we identified certain control deficiencies in the design and operation of our internal controls over our financial reporting that constituted a material weakness in aggregation. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that has been identified relates to the design and implementation of IT general controls for IT system that are relevant to the preparation of the financial statements. Specifically, we did not design and maintain adequate user access controls to restrict user and privileged access to certain particular function of the ERP during the implementation, which could allow a skilled user with privileged access to access and potentially make changes to the system relevant to the preparation of the financial statements.

Material Weakness Remediation

Subsequent to the identification of the material weakness, we have taken steps to address the control deficiencies and continue to implement our remediation plan, which we believe addresses the underlying causes. We are executing on our remediation plan for the material weakness by removing all inappropriate access and establishing more robust processes to control the privileged access to our system with management review of the system log periodically. In addition, we also performed review on all user access privileges concerned, and no inappropriate activity from those privileged access was identified.

While we believe these efforts have improved, and will continue to improve, our internal controls and address the underlying causes of the material weakness, the material weakness will not be remediated until our remediation plan has been fully implemented and tested and we have concluded that following the improvements, our IT general controls are operating effectively for a sufficient period of time.

Changes in Internal Control Over Financial Reporting

As described above, the Company is taking steps to remediate the material weakness noted above. Other than in connection with these remediation steps, there have been no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our pending legal proceedings, please see Note 16. Commitments and Contingencies, to the consolidated financial statements included elsewhere in this Quarterly Report. While the lawsuits are being vigorously defended, the outcome of any litigation is inherently uncertain, and there is always the possibility that a court rules in a manner that is adverse to the interests of the Company and the individual defendants. However, the amount of any such loss in that scenario cannot be reasonably estimated at this time. Regardless of the outcome, litigation has the potential to have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Report on Form 10-Q, as well as the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and other reports that we have filed with the SEC. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of our equity securities during the three months ended March 31, 2024.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.

The following exhibits are furnished as part of, or incorporated by reference into, this Report on Form 10-Q.

Exhibit Number	Exhibit Title
2.1+	Agreement and Plan of Merger, dated as of February 1, 2021, by and among Tuscan Holdings Corp., TSCN Merger Sub Inc., and Microvast, Inc. (incorporated by reference to the Company's definitive proxy statement on Schedule 14A, filed with the SEC on July 2, 2021).
3.1	Second Amended and Restated Certificate of Incorporation of Microvast Holdings, Inc. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
3.2	Amended and Restated Bylaws of Microvast Holdings, Inc. (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.1	Specimen Common Stock Certificate (incorporated by reference from Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.2	Specimen Warrant Certificate (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.3	Warrant Agreement (incorporated by reference from Exhibit 4.4 to the Company's Registration Statement on Form S-1, filed with the Company on February 26, 2019).
4.4	Registration Rights and Lock-Up Agreement, dated as of July 26, 2021, by and among (a) Microvast Holdings, Inc., (b) the Microvast Equity Holders, (c) the CL Holders, (d) Tuscan Holdings Acquisition LLC, Stefan M. Selig, Richard O. Rieger and Amy Butte, and (e) EarlyBirdCapital, Inc. (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.5	Stockholders Agreement, dated July 26, 2021, by and among (a) Microvast Holdings, Inc., (b) Yang Wu and (c) Tuscan Holdings Acquisition LLC. (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
10.1	Transition Services Agreement between Microvast Holdings, Inc. and Craig Webster dated April 10, 2024 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 12, 2024)
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished.

\+ Certain schedules to this Exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. The Company hereby agrees to hereby furnish supplementally a copy of all omitted schedules to the SEC upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 9, 2024	**MICROVAST HOLDINGS, INC.**	
	By:	/s/ Yang Wu
	Name:	Yang Wu
	Title:	Chief Executive Officer and Director
	By:	/s/ Nancy Smith
	Name:	Nancy Smith
	Title:	Interim Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yang Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of Microvast Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 9, 2024	By:	/s/ Yang Wu	
		Name:	Yang Wu
		Title:	Chief Executive Officer and Director
			(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yang Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of Microvast Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 9, 2024

By: /s/ Yang Wu
Name: Yang Wu
Title: Chief Executive Officer and Director
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Microvast Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yang Wu, Chief Executive Officer and Director, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Yang Wu

Name: Yang Wu
Title: Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Microvast Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yang Wu, Chief Executive Officer and Director, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Yang Wu

Name:	Yang Wu
Title:	Chief Executive Officer and Director
	(Principal Financial and Accounting Officer)