

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

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

For the transition period from to

Commission File No. 001-38826

MICROVAST HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

83-2530757

(I.R.S. Employer
Identification No.)

**12603 Southwest Freeway, Suite 210
Stafford, Texas 77477**

(Address of Principal Executive Offices, including zip code)

(281) 491-9595

(Registrant's telephone number, including area code)

**Tuscan Holdings Corp.
135 E. 57th Street, 18th Floor
New York, NY 10022**

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

Securities registered pursuant to Section 12(b) of 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 No

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

- | | |
|---|---|
| <input type="checkbox"/> Large accelerated filer | <input type="checkbox"/> Accelerated filer |
| <input checked="" type="checkbox"/> Non-accelerated filer | <input checked="" type="checkbox"/> Smaller reporting company |
| | <input checked="" type="checkbox"/> Emerging growth company |

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.

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

As of August 16, 2021, there were 300,516,246 shares of the Company's common stock, par value \$0.0001, issued and outstanding.

EXPLANATORY NOTE

On July 23, 2021 (the “Closing Date”), subsequent to the fiscal quarter ended June 30, 2021, the fiscal quarter to which this Quarterly Report on Form 10-Q (this “Report”) relates, Microvast Holdings, Inc. (formerly known as Tuscan Holdings Corp.) consummated the previously announced acquisition of Microvast, Inc., a Delaware corporation (“Microvast”), pursuant to the Agreement and Plan of Merger (the “Merger Agreement”) dated February 1, 2021, between Tuscan Holdings Corp., Microvast and TSCN Merger Sub Inc., a Delaware corporation (“Merger Sub”), pursuant to which Merger Sub merged with and into Microvast, with Microvast surviving the merger (the “Merger”).

In connection with the Merger Agreement, Tuscan, MVST SPV Inc., a wholly owned subsidiary of Tuscan (“MVST SPV”), Tuscan, Microvast Power System (Huzhou) Co., Ltd., Microvast’s majority owned subsidiary (“MPS”), certain MPS convertible loan investors (the “CL Investors”) and certain minority equity investors in MPS (the “Minority Investors” and, together with the CL Investors, the “MPS Investors”) and certain other parties entered into a framework agreement (the “Framework Agreement”), pursuant to which, among other things, (1) the CL Investors waived certain rights with respect to the convertible loans (the “Convertible Loans”) held by such CL Investors that were issued under that certain Convertible Loan Agreement, dated November 2, 2018, among Microvast, MPS, such CL Investors and the MPS Investors (the “Convertible Loan Agreement”) and, in connection therewith, certain affiliates of the CL Investors (“CL Affiliates”) subscribed for 6,719,845 shares of common stock, \$0.0001 par value per share (“common stock”), of Tuscan in a private placement in exchange for MPS convertible loans (the “CL Private Placement”).

In connection with the Merger Agreement, Tuscan entered into subscription agreements with (a) the holders of an aggregate of \$57,500,000 outstanding promissory notes issued by Microvast (the “Bridge Notes”) pursuant to which Tuscan agreed to issue an aggregate of 6,736,111 shares of common stock upon conversion (the “Bridge Notes Conversion”) of the Bridge Notes, and (b) a number of outside investors who agreed to purchase an aggregate of 48,250,000 shares of common stock at a price of \$10.00 per share, for an aggregate purchase price of \$482,500,000 (the “PIPE Financing”).

The CL Private Placement, the Bridge Notes Conversion and the PIPE Financing closed contemporaneously with the closing under the Merger Agreement (collectively, the “Closing”). Upon the Closing of the Merger, the CL Private Placement, the Bridge Notes Conversion, the PIPE Financing and related transactions (collectively, the “Business Combination”), Microvast became a wholly-owned subsidiary of the Company, with the stockholders of Microvast becoming stockholders of the Company, and with the Company renamed “Microvast Holdings, Inc.”

Unless stated otherwise, this report contains information about Tuscan Holdings Corp. before the Business Combination. This Report covers a period prior to the closing of the Business Combination. As a result, references in this report to “we,” “us,” “our,” or the “Company” refer to the registrant prior to the closing of the Business Combination, unless the context requires otherwise.

Except as otherwise expressly provided herein, the information in this Report does not reflect the consummation of the Business Combination, which, as discussed above, occurred subsequent to the period covered hereunder.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$ 66,475	\$ 135,961
Prepaid expenses and other current assets	39,524	22,499
Total Current Assets	105,999	158,460
Cash and marketable securities held in Trust Account	281,671,994	282,254,978
TOTAL ASSETS	\$ 281,777,993	\$ 282,413,438
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 801,468	\$ 320,978
Income taxes payable	—	302,547
Advances from related party	—	22,179
Total Current Liabilities	801,468	645,704
Convertible promissory notes – related party	1,686,000	200,000
Warrant liability	4,183,830	4,204,440
Deferred tax liability	—	21,468
TOTAL LIABILITIES	6,671,298	5,071,612
Commitments		
Common stock subject to possible redemption, 27,583,510 and 26,675,733 as of June 30, 2021 and December 31, 2020, respectively	281,581,276	272,341,820
Stockholders' (Deficit) Equity		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.0001 par value; 65,000,000 shares authorized; 7,887,000 and 8,808,069 shares issued and outstanding (excluding 27,583,510 and 26,675,733 shares subject to possible redemption) as of June 30, 2021 and December 31, 2020, respectively	789	881
Additional paid in capital	—	4,028,907
(Accumulated deficit)/Retained earnings	(6,475,370)	970,218
Total Stockholders' (Deficit) Equity	(6,474,581)	5,000,006
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	\$ 281,777,993	\$ 282,413,438

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

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Operating and formation costs	\$ 543,914	\$ 251,714	\$ 1,434,843	\$ 480,463
Loss from operations	(543,914)	(251,714)	(1,434,843)	(480,463)
Other income (expense):				
Interest income earned on marketable securities held in Trust Account	10,503	983,408	46,299	2,010,565
Unrealized gain (loss) on marketable securities held in Trust Account	(420)	(938,273)	—	499,967
Change in the fair value of convertible promissory notes – related party	(380,000)	—	(736,000)	—
Change in fair value of warrant liability	(1,119,810)	(133,965)	20,610	3,435
Other income (expense), net	(1,489,727)	(88,830)	(669,091)	2,513,967
Loss before income taxes	(2,033,641)	(340,544)	(2,103,934)	2,033,504
Benefit from (Provision for) income taxes	(16,954)	43,382	4,514	(427,211)
Net income (loss)	\$ (2,050,595)	\$ (297,162)	\$ (2,099,420)	\$ 1,606,293
Basic and diluted weighted average shares outstanding, Common stock subject to possible redemption	27,590,813	27,056,327	27,135,801	27,071,426
Basic and diluted net income per share, Common stock subject to possible redemption	\$ —	\$ —	\$ —	\$ 0.07
Basic and diluted weighted average shares outstanding, Non-redeemable common stock	7,887,000	8,430,673	8,344,990	8,415,575
Basic net loss per common share, Non-redeemable common stock	\$ (0.26)	\$ (0.04)	\$ (0.25)	\$ (0.04)

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

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

	Common Stock		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance – January 1, 2021	8,808,069	\$ 881	\$ 4,028,907	\$ 970,218	\$ 5,000,006
Change in value of common stock subject to possible redemption	(921,069)	(92)	(4,028,907)	(5,393,414)	(9,422,413)
Net loss	—	—	—	(48,825)	(48,825)
Balance – March 31, 2021	<u>7,887,000</u>	<u>\$ 789</u>	<u>\$ —</u>	<u>\$ (4,472,021)</u>	<u>\$ (4,471,232)</u>
Change in value of common stock subject to possible redemption	—	—	—	47,246	47,246
Net loss	—	—	—	(2,050,595)	(2,050,595)
Balance – June 30, 2021	<u>7,887,000</u>	<u>\$ 789</u>	<u>\$ —</u>	<u>\$ (6,475,370)</u>	<u>\$ (6,474,581)</u>

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020
(Restated)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance – January 1, 2020	8,400,476	\$ 840	\$ 1,605,302	\$ 3,393,867	\$ 5,000,009
Change in value of common stock subject to possible redemption	30,197	2	(1,770,184)	(133,280)	(1,903,462)
Net income	—	—	—	1,903,455	1,903,455
Balance – March 31, 2020	<u>8,430,673</u>	<u>\$ 842</u>	<u>\$ (164,882)</u>	<u>\$ 5,164,042</u>	<u>\$ 5,000,002</u>
Change in value of common stock subject to possible redemption	(3,481)	1	163,880	133,280	297,161
Net loss	—	—	—	(297,162)	(297,162)
Balance – June 30, 2020	<u>8,427,192</u>	<u>\$ 843</u>	<u>\$ (1,002)</u>	<u>\$ 5,000,160</u>	<u>\$ 5,000,001</u>

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

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2021	2020 (Restated)
Cash Flows from Operating Activities:		
Net (loss) income	\$ (2,099,420)	\$ 1,606,293
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Change in fair value of warrant liability	(20,610)	(3,435)
Change in fair value of convertible promissory notes – related party	736,000	—
Interest earned on marketable securities held in Trust Account	(46,299)	(2,010,565)
Unrealized (gain) on marketable securities held in Trust Account	—	(499,967)
Deferred tax liability	(21,468)	77,924
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(17,025)	30,086
Prepaid income taxes	—	69,818
Accounts payable and accrued expenses	480,490	(94,759)
Income taxes payable	(302,547)	279,469
Net cash used in operating activities	(1,290,879)	(545,136)
Cash Flows from Investing Activities:		
Cash withdrawn from Trust Account for redemptions	493,572	—
Cash withdrawn from Trust Account to pay income taxes	135,711	346,474
Net cash provided by investing activities	629,283	346,474
Cash Flows from Financing Activities:		
Advances from related party	—	2,833
Redemption of common shares	(135,711)	—
Repayment of advances from related party	(22,179)	—
Proceeds from convertible promissory notes – related party	750,000	200,000
Net cash provided by financing activities	592,110	202,833
Net Change in Cash	(69,486)	4,171
Cash – Beginning	135,961	140,303
Cash – Ending	\$ 66,475	\$ 144,474
Supplemental cash flow information:		
Cash paid for income taxes	\$ 319,501	\$ —
Non-cash investing and financing activities:		
Change in value of common stock subject to possible redemption	\$ 9,103,745	\$ 1,606,301

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

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Microvast Holdings, Inc., formerly known as Tuscan Holdings Corp. (the “Company”), was a blank check company incorporated in Delaware on November 5, 2018. The Company was formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or similar business combination with one or more businesses or entities.

Business Combination

On July 23, 2021 (the “Closing Date”), Microvast Holdings, Inc. (formerly known as Tuscan Holdings Corp.) consummated the previously announced acquisition of Microvast, Inc., a Delaware corporation (“Microvast”), pursuant to the Agreement and Plan of Merger (the “Merger Agreement”) dated February 1, 2021, between Tuscan Holdings Corp., Microvast and TSCN Merger Sub Inc., a wholly owned subsidiary of the Company incorporated in Delaware on January 21, 2021 (“Merger Sub”), pursuant to which Merger Sub merged with and into Microvast, with Microvast surviving the merger (the “Merger”).

In connection with the Merger Agreement, Tuscan, MVST SPV Inc., a wholly owned subsidiary of Tuscan (“MVST SPV”), Tuscan, Microvast Power System (Huzhou) Co., Ltd., Microvast’s majority owned subsidiary (“MPS”), certain MPS convertible loan investors (the “CL Investors”) and certain minority equity investors in MPS (the “Minority Investors” and, together with the CL Investors, the “MPS Investors”) and certain other parties entered into a framework agreement (the “Framework Agreement”), pursuant to which, among other things, (1) the CL Investors waived certain rights with respect to the convertible loans (the “Convertible Loans”) held by such CL Investors that were issued under that certain Convertible Loan Agreement, dated November 2, 2018, among Microvast, MPS, such CL Investors and the MPS Investors (the “Convertible Loan Agreement”) and, in connection therewith, certain affiliates of the CL Investors (“CL Affiliates”) subscribed for 6,719,845 shares of common stock, \$0.0001 par value per share (“common stock”), of Tuscan in a private placement in exchange for MPS convertible loans (the “CL Private Placement”).

In connection with the Merger Agreement, Tuscan entered into subscription agreements with (a) the holders of an aggregate of \$57,500,000 outstanding promissory notes issued by Microvast (the “Bridge Notes”) pursuant to which Tuscan agreed to issue an aggregate of 6,736,111 shares of common stock upon conversion (the “Bridge Notes Conversion”) of the Bridge Notes, and (b) a number of outside investors who agreed to purchase an aggregate of 48,250,000 shares of common stock at a price of \$10.00 per share, for an aggregate purchase price of \$482,500,000 (the “PIPE Financing”).

The CL Private Placement, the Bridge Notes Conversion and the PIPE Financing closed contemporaneously with the closing under the Merger Agreement (collectively, the “Closing”). Upon the Closing of the Merger, the CL Private Placement, the Bridge Notes Conversion, the PIPE Financing and related transactions (collectively, the “Business Combination”), Microvast became a wholly-owned subsidiary of the Company, with the stockholders of Microvast becoming stockholders of the Company, and with the Company renamed “Microvast Holdings, Inc.”

At Closing, pursuant to the terms of the Merger Agreement, the Framework Agreement and subscription agreements entered into with the holders of the Bridge Notes and the PIPE Investors:

- The Company issued 210,000,000 shares of common stock to the former owners of Microvast (the “Microvast Holders”) pursuant to the Merger Agreement, which number is inclusive of the shares being issued to the MPS Investors pursuant to the Framework Agreement to MVST SPV and pursuant to the CL Private Placement;
- The Company issued 6,736,111 shares of common stock to the holders of the Bridge Notes;
- The Company issued 48,250,000 shares of common stock to the PIPE Investors;
- The Company issued 150,000 private placement units to the Sponsor upon conversion of notes payable by the Company in the amount of \$150,000; and
- The Company contributed approximately \$708,000,000 in cash to Microvast to be retained for working capital purposes.

Pursuant to the Merger Agreement, the Microvast Holders and the MPS Investors will have the ability to earn, in the aggregate, an additional 20,000,000 shares of common stock (“Earn-Out Shares”) if the daily volume weighted average price of the common stock is greater than or equal to \$18.00 for any 20 trading days within a 30 trading day period (or a change of control of the Company occurs that results in the holders of common stock receiving a per share price equal to or in excess of \$18.00), during the period commencing on the Closing Date and ending on the third anniversary of the Closing Date.

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

Business Prior to the Business Combination

Prior to the Business Combination, the Company had one subsidiary, TSCN Merger Sub Inc., a wholly owned subsidiary of the Company incorporated in Delaware on January 21, 2021 (see Note 6).

All activity through June 30, 2021 related to the Company's formation, the initial public offering (the "Initial Public Offering"), which is described below, and identifying a target company for an initial business combination and consummating the acquisition of Microvast, Inc.

The registration statement for the Company's Initial Public Offering was declared effective on March 5, 2019. On March 7, 2019, the Company consummated the Initial Public Offering of 24,000,000 units (the "Units" and, with respect to the shares of common stock included in the Units sold, the "Public Shares") at \$10.00 per Unit, generating gross proceeds of \$240,000,000, which is described in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 615,000 units (the "Private Units") at a price of \$10.00 per Private Unit in a private placement to Tuscan Holdings Acquisition LLC (the "Sponsor") and EarlyBirdCapital, Inc. ("EarlyBirdCapital") and its designee, generating gross proceeds of \$6,150,000, which is described in Note 4.

Following the closing of the Initial Public Offering on March 7, 2019, an amount of \$240,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering and the sale of the Private Units was placed in a trust account ("Trust Account") which are invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), with a maturity of 180 days or less or in any open-ended investment company that holds itself out as a money market fund meeting the conditions of Rule 2a-7 of the Investment Company Act of 1940, as amended (the "Investment Company Act"), as determined by the Company, until the earlier of: (i) the completion of a Business Combination or (ii) the distribution of the Trust Account, as described below.

On March 12, 2019, the underwriters exercised their over-allotment option in full, resulting in the sale of an additional 3,600,000 Units for \$36,000,000, less the underwriters' discount of \$720,000. In connection with the underwriters' exercise of their over-allotment option, the Company also consummated the sale of an additional 72,000 Private Units at \$10.00 per Private Unit, generating total gross proceeds of \$720,000. A total of \$36,000,000 was deposited into the Trust Account from the sale of the additional Units pursuant to the over-allotment option and the additional sale of Private Units, bringing the aggregate proceeds held in the Trust Account to \$276,000,000.

Transaction costs amounted to \$6,059,098, consisting of \$5,520,000 of underwriting fees and \$539,098 of other offering costs.

Risks and Uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations and/or search for a target company, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Nasdaq Compliance

On January 6, 2021, the Company received a notice from the Listing Qualifications Department of The Nasdaq Stock Market stating that the Company failed to hold an Annual Meeting of stockholders within 12 months after its fiscal year ended December 31, 2019, as required by Nasdaq Listing Rule 5620(a). In accordance with Nasdaq Listing Rule 5810(c)(2)(G), the Company submitted a plan to regain compliance on February 4, 2021. Nasdaq accepted the plan and granted the Company an extension through June 29, 2021 to hold an annual meeting. Nasdaq's decision is subject to certain conditions, including that the Company provide periodic updates with respect to its proposed business combination with Microvast. On April 28, 2021, the Company held an annual meeting of stockholders, in compliance with its plan.

On May 28, 2021, the Company received a notice from the Listing Qualifications Department of The Nasdaq Stock Market stating that because we failed to timely file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, we were not in compliance with Nasdaq Listing Rule 5250(c)(1). The Company believes that compliance with the listing rule was regained on June 2, 2021 with the filing of the Company's Form 10-Q for the quarter ended March 31, 2021.

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2020 as filed with the SEC on March 24, 2021 and June 1, 2021, respectively, which contain the audited financial statements and notes thereto. The interim results for the three and six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for any future interim periods.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future events. Accordingly, the actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of June 30, 2021 and December 31, 2020.

MICROVAST HOLDINGS, INC.
(f/k/a TUSCAN HOLDINGS CORP.)
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

Marketable Securities Held in Trust Account

At June 30, 2021 and December 31, 2020, the assets held in the Trust Account were substantially held in U.S. Treasury Bills. Through June 30, 2021, the Company withdrew approximately \$2,079,000 of interest earned in the Trust Account to pay its franchise tax, income taxes and share redemptions, of which approximately \$629,000 were withdrawn during the three and six months ended June 30, 2021.

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 meet the definition of a derivative as contemplated in ASC 815, the Company classifies the Private Warrants as liabilities at their fair value and adjusts the Private Warrants to fair value at each reporting period. 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 for periods where no observable traded price was available are valued using a binomial lattice simulation model. For periods subsequent the detachment of the Private Warrants from the Units, the Public Warrant quoted market price was used as the fair value as of each relevant date.

Common Stock Subject to Possible Redemption

The Company accounts for its common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.” Common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that feature redemption rights that is either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) is classified as temporary equity. At all other times, common stock is classified as stockholders’ equity. The Company’s common stock features certain redemption rights that are considered to be outside of the Company’s control and subject to occurrence of uncertain future events. Accordingly, common stock subject to possible redemption is presented at redemption value as temporary equity, outside of the stockholders’ equity section of the Company’s condensed consolidated balance sheets.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable common stock to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable common stock are affected by charges against additional paid in capital and accumulated deficit.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under ASC 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of June 30, 2021 and December 31, 2020. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

Net Income (Loss) Per Common Share

Net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period.

The Company’s statements of operations include a presentation of income (loss) per share for common stock subject to possible redemption in a manner similar to the two-class method of income (loss) per share. Net income per common share, basic and diluted, for common stock subject to possible redemption is calculated by dividing the proportionate share of income on marketable securities held by the Trust Account, net of applicable franchise and income taxes, by the weighted average number of shares of common stock subject to possible redemption outstanding for the periods.

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Net loss per common share, basic, for non-redeemable common stock is calculated by dividing the net income, adjusted for income on marketable securities attributable to Common Stock subject to possible redemption, by the weighted average number of non-redeemable common stock outstanding for the period. Net loss per common share, diluted, for non-redeemable common stock is calculated by dividing the non-redeemable net income, adjusted for the change in the fair value of the warrant liability, by the weighted average number of non-redeemable common stock outstanding for the periods, including the effects of any potentially dilutive securities. Diluted loss per common share gives effect to all dilutive potential of shares of common stock outstanding during the period, including warrants, using the treasury stock method. Diluted loss per common share excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

Non-redeemable common stock includes Founder Shares and non-redeemable shares of common stock as these shares do not have any redemption features. Non-redeemable common stock participates in the income on marketable securities based on non-redeemable common stock shares' proportionate interest.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<i>Common stock subject to possible redemption</i>				
Numerator: Earnings allocable to common stock subject to possible redemption				
Interest earned on marketable securities held in Trust Account	\$ 10,503	\$ 965,018	\$ 46,299	\$ 1,974,174
Unrealized gain on marketable securities held in Trust Account	(420)	(920,727)	—	490,918
Less: Company's portion available to pay taxes	(10,083)	(6,494)	(46,299)	(517,668)
Net earnings allocable to common stock subject to possible redemption	<u>\$ —</u>	<u>\$ 37,797</u>	<u>\$ —</u>	<u>\$ 1,947,424</u>
Denominator: Weighted average common stock subject to possible redemption				
Basic and diluted weighted average shares outstanding	<u>27,590,813</u>	<u>27,056,327</u>	<u>27,135,801</u>	<u>27,071,426</u>
Basic and diluted net income per common share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.07</u>
<i>Non-Redeemable Common Stock</i>				
<i>Basic Loss per Share</i>				
Numerator Net (Loss) Income minus Net Earnings				
Net (loss) income	\$ (2,050,595)	\$ (297,162)	\$ (2,099,420)	\$ 1,606,293
Less: Net earnings allocable to common stock subject to possible redemption	—	(38,988)	—	(1,947,424)
Non-Redeemable Net Loss – Basic	<u>\$ (2,050,595)</u>	<u>\$ (336,150)</u>	<u>\$ (2,099,420)</u>	<u>\$ (341,131)</u>
Denominator: Weighted Average Non-Redeemable Common Stock				
Basic and diluted weighted average shares outstanding	<u>7,887,000</u>	<u>8,430,673</u>	<u>8,344,990</u>	<u>8,415,575</u>
Basic and diluted net loss per common share	<u>\$ (0.26)</u>	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>	<u>\$ (0.04)</u>

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Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution which, at times may exceed the Federal Depository Insurance Coverage of \$250,000. The Company has not experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC 820, "Fair Value Measurement," approximates the carrying amounts represented in the accompanying condensed consolidated balance sheets, primarily due to their short-term nature, except for the Private Warrants (see Note 9).

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, "Derivatives and Hedging". For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Recently Adopted Accounting Standards

In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"), which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2020-06 effective as of January 1, 2021. The adoption of ASU 2020-06 did not have an impact on the Company's financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's condensed financial statements.

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NOTE 3. INITIAL PUBLIC OFFERING

On March 7, 2019, the Company consummated the Initial Public Offering and sold 24,000,000 units at a price of \$10.00 per Unit. Each Unit consists of one share of common stock and one warrant ("Public Warrant"). On March 12, 2019, in connection with the underwriters' exercise of the over-allotment option in full, the Company sold an additional 3,600,000 Units at a price of \$10.00 per Unit. Each Public Warrant entitles the holder to purchase one share of common stock at a price of \$11.50 per share, subject to adjustment (see Note 7).

NOTE 4. PRIVATE PLACEMENT

Simultaneously with the closing of the Initial Public Offering, the Sponsor and EarlyBirdCapital and its designee purchased an aggregate of 615,000 Private Units at a price of \$10.00 per Private Unit, for an aggregate purchase price of \$6,150,000. The Sponsor purchased 500,047 Private Units and EarlyBirdCapital and its designee purchased an aggregate of 114,953 Private Units. On March 12, 2019, in connection with the underwriters' exercise of the over-allotment option in full, the purchasers purchased an aggregate of an additional 72,000 additional Private Units, of which 58,542 Private Units were purchased by the Sponsor and 13,458 Private Units were purchased by EarlyBirdCapital and its designee, for an aggregate purchase price of \$720,000. Each Private Unit consists of one share of common stock ("Private Share") and one warrant ("Private Warrant"). Each Private Warrant is exercisable to purchase one share of common stock at an exercise price of \$11.50 per share, subject to adjustment (see Note 7). The proceeds from the Private Units were added to the proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale of the Private Units will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law), and the Private Units and all underlying securities will be worthless.

NOTE 5. RELATED PARTY TRANSACTIONS

Founder Shares

In November 2018, the Sponsor purchased 5,750,000 shares (the "Founder Shares") of the Company's common stock for an aggregate price of \$25,000. On March 5, 2019, the Company effected a stock dividend of 0.2 shares of common stock for each outstanding share (the "Stock Dividend"), resulting in 6,900,000 Founder Shares being issued and outstanding.

The 6,900,000 Founder Shares included an aggregate of up to 900,000 shares subject to forfeiture by the Sponsor to the extent that the underwriters' over-allotment was not exercised in full or in part, so that the holders of the Founder Shares would collectively own 20% of the Company's issued and outstanding shares after the Initial Public Offering (assuming the holders did not purchase any Public Shares in the Initial Public Offering and excluding the Private Units and Representative Shares (see Note 7). In connection with the underwriters' exercise of the over-allotment option in full on March 12, 2019, 900,000 Founder Shares are no longer subject to forfeiture.

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The holders of the Founder Shares have agreed, subject to certain limited exceptions, not to transfer, assign or sell any of the Founder Shares until, with respect to 50% of the Founder Shares, the earlier of one year after the consummation of a Business Combination and the date on which the closing price of the common stock equals or exceeds \$12.50 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after a Business Combination and, with respect to the remaining 50% of the Founder Shares, until the one year after the consummation of a Business Combination, or earlier, in either case, if, subsequent to a Business Combination, the Company completes a liquidation, merger, stock exchange or other similar transaction which results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property.

Administrative Service Fee

Vogel Partners, LLP, an affiliate of Mr. Vogel, has agreed that, until the earlier of the consummation of an initial business combination or the Company's liquidation, it will make available to the Company certain general and administrative services, including office space, utilities, and administrative support, as the Company may require from time to time. The Company has agreed to pay Vogel Partners, LLP \$10,000 per month for these services. For the three and six months ended June 30, 2021 and 2020, the Company incurred \$30,000 and \$60,000, respectively, in fees for these services. At June 30, 2021 and December 31, 2020, fees amounting to \$10,000 are included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

Related Party Loans

In addition, in order to finance transaction costs in connection with a Business Combination, the Sponsor or certain of the Company's officers and directors or their affiliates may, but are not obligated to, loan the Company funds as may be required ("Working Capital Loans"). If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds of the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account to the extent such funds are available. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans, but no proceeds held in the Trust Account will be used to repay the Working Capital Loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to \$1,500,000 of such Working Capital Loans may be convertible into units of the post Business Combination entity at a price of \$10.00 per unit. The units would be identical to the Private Units.

On April 21, 2020, the Company issued an unsecured promissory note to the Sponsor in the aggregate amount of \$300,000 (the "Note"), of which \$200,000 was drawn upon on such date. On February 12, 2021, the Company issued an unsecured promissory note to the Sponsor in the aggregate amount of \$1,200,000 (together, with the Note, the "Convertible Promissory Notes"). The Convertible Promissory Notes are non-interest bearing and payable upon the consummation of a Business Combination. The Convertible Promissory Notes are convertible, at the lender's option, into units of the post Business Combination entity at a price of \$10.00 per unit. The units would be identical to the Private Units.

As of June 30, 2021 and December 31, 2020, the aggregate fair market value of the Convertible Promissory Notes was \$1,686,000 and \$200,000 (see Note 9).

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NOTE 6. COMMITMENTS

Registration Rights and Lock-Up Agreement

Pursuant to a registration rights agreement entered into on March 7, 2019, the holders of the Founder Shares, Representative Shares, Private Units, and any units that may be issued upon conversion of Working Capital Loans (and all underlying securities) are entitled to registration rights. The holders of the majority of these securities are entitled to make up to two demands that the Company register such securities. The holders of the majority of the Founder Shares can elect to exercise these registration rights at any time commencing three months prior to the date on which the Founder Shares are to be released from escrow. The holders of a majority of the Representative Shares, Private Units or units issued in payment of working capital loans made to the Company (or underlying securities) can elect to exercise these registration rights at any time commencing after the Company consummates a Business Combination. Notwithstanding anything to the contrary, EarlyBirdCapital and its designee may only make a demand on one occasion and only during the five-year period beginning on the effective date of the Initial Public Offering. In addition, the holders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the consummation of a Business Combination; provided, however, that EarlyBirdCapital and its designee may participate in a “piggy-back” registration only during the seven-year period beginning on the effective date of the Initial Public Offering. The Company will bear the expenses incurred in connection with the filing of any such registration statements. At the Closing of the Business Combination, the parties agreed to terminate this registration rights agreement and replace it with the Registration Rights and Lock-Up Agreement (the “Registration Rights and Lockup Agreement”).

At the Closing, the Company entered into a Registration Rights and Lock-Up Agreement with stockholders of Microvast prior to the consummation of the Business Combination, the affiliates of certain former investors in Microvast’s subsidiary Microvast Power System (Houzhou) Co. Ltd., the Sponsor and certain officers and directors of the Company, pursuant to which the Company is obligated to file a registration statement promptly following the Closing to register the resale of certain securities of the Company held by the parties to the Registration Rights and Lock-Up Agreement. The Registration Rights and Lock-Up Agreement provides the parties thereto with “piggy-back” registration rights, subject to certain requirements and customary conditions. There are no cash penalties under the Registration Rights and Lock-Up Agreement for failure to timely file a required registration statement.

Subject to certain exceptions, the Registration Rights and Lock-Up Agreement further provides (1) Wu will be subject to a lock-up of one year post closing with respect to 25% of his shares of common stock and a lock-up of two years for the remaining 75% of his shares of common stock, provided that, with respect to the 25% of his shares subject to the one-year lock-up, he can sell those shares if the shares trade at \$15.00 or above for 20 days in any 30-day period, (2) the Microvast equity holders other than Wu are subject to a six-month lock-up post closing, and (3) with respect to the shares of common stock owned by the Sponsor, Stefan M. Selig, Richard O. Rieger, and Amy Butte (collectively, the “Sponsor Group”), such shares shall be subject to the transfer restrictions provided in the Amendment to Escrow Agreement described below.

Business Combination Marketing Agreement

The Company has engaged EarlyBirdCapital as an advisor in connection with a Business Combination to assist the Company in holding meetings with its shareholders to discuss the potential Business Combination and the target business’ attributes, introduce the Company to potential investors that are interested in purchasing the Company’s securities in connection with a Business Combination, assist the Company in obtaining shareholder approval for the Business Combination and assist the Company with its press releases and public filings in connection with the Business Combination. The Company will pay EarlyBirdCapital a cash fee for such services upon the consummation of a Business Combination in an amount equal to \$9,660,000 (exclusive of any applicable finders’ fees which might become payable); provided that up to 30% of the fee may be allocated at the Company’s sole discretion to other FINRA members that assist the Company in identifying and consummating a Business Combination.

Engagement of Morgan Stanley

The Company has engaged Morgan Stanley & Co. LLC (“Morgan Stanley”) to provide financial advisory services in connection with the Microvast business combination (see below), and, upon consummation of the transaction with Microvast, the Company will pay Morgan Stanley a transaction fee of \$5.5 million, plus expenses. Morgan Stanley also acted as placement agent in connection with the PIPE Financing (see below), and the Company is obligated to pay Morgan Stanley a placement fee equal to (i) 3.5% of the sum of (x) the aggregate gross proceeds raised in the PIPE Financing up to \$300 million (not including funds from the sale of certain excluded securities) and (y) any borrowings pursuant to a bridge financing provided in connection with the proposed business combination by investors introduced by Morgan Stanley, and (ii) 2.5% of the aggregate gross proceeds raised in the PIPE Financing above \$300 million.

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Stockholders Agreement

At the Closing, the Company, Mr. Yang Wu (“Wu”) and Tuscan Holdings Acquisition LLC, a Delaware limited liability company (the “Sponsor”), entered into a Stockholders Agreement (the “Stockholders Agreement”), which provides that immediately following the Closing, the board of directors of the Company (the “board”) shall consist of: (i) Wu, who is the initial Chairman of the board (who is also the Chief Executive Officer of the Company); (ii) Yanzhuan Zheng (who is also the Chief Financial Officer of the Company); (iii) Stanley Whittingham; (iv) Arthur Wong; (v) Craig Webster; (vi) Stephen Vogel; and (vii) Wei Ying. The Stockholders Agreement also provides that the Company’s amended and restated certificate of incorporation (the “Charter”) shall provide that (a) the number of directors which shall constitute the board shall be fixed by and in the manner provided in the Bylaws, except that any increase or decrease in the number of directors shall require the affirmative vote of the Wu Directors (as defined below), and (b) the board shall be divided into three classes designated Class I, Class II and Class III, as follows:

- (i) The Class I Directors shall be Stephen Vogel and Wei Ying, each of whom shall initially serve for a term expiring at the first annual meeting of stockholders held after the Closing;
- (ii) The Class II Directors shall be Stanley Whittingham and Arthur Wong, each of whom shall initially serve for a term expiring at the second annual meeting of stockholders held after the Closing; and
- (iii) The Class III Directors shall be Wu, Yanzhuan Zheng and Craig Webster, each of whom shall initially serve for a term expiring at the third annual meeting of stockholders held after the Closing.

Wu has the right, but not the obligation, to nominate for election to the board at every meeting of the stockholders of the Company at which directors are elected a number of individuals (rounded up to the nearest whole number) equal to (a) the total number of directors, multiplied by (b) the quotient obtained by dividing the shares of common stock beneficially owned by Wu by the total number of outstanding shares of common stock (each, a “Wu Director”) less the number of Wu Directors then serving on the board and whose terms in office are not expiring at such meeting. Wu, Yanzhuan Zheng, Stanley Whittingham and Arthur Wong were nominated by Wu as the initial Wu Directors.

So long as the Sponsor beneficially owns at least 5,481,441 shares of common stock, the Sponsor shall have the right, but not the obligation, to nominate for election to the board at every meeting of the stockholders of the Company at which directors are elected, one individual (the “Sponsor Director”) less the number of Sponsor Directors then serving on the board and whose terms in office are not expiring at such meeting. Stephen Vogel was nominated by the Sponsor as the initial Sponsor Director.

Indemnity Agreements

On the Closing Date, we entered into indemnity agreements with Wu, Yanzhuan Zheng, Craig Webster, Wei Ying, Stanley Whittingham, Arthur Wong and Stephen Vogel, each of whom became a director following the Business Combination, and Wenjuan Mattis, Ph.D., Shane Smith, Shengxian Wu, Ph.D. Sascha Rene Kelterborn, Sarah Alexander and Lu Gao each of who became executive officers of the Company following the Business Combination. Each indemnity agreement provides that, subject to limited exceptions, and among other things, we will indemnify the director or executive officer to the fullest extent permitted by law for claims arising in his or her capacity as our director or officer.

Amendment to Escrow Agreement

At the Closing, the Sponsor and related parties entered into an amendment to the Escrow Agreement pursuant to which the 6,750,000 shares held by Tuscan Holdings Acquisition LLC (“Sponsor”), and the 30,000 shares held by each of Stefan M. Selig, Richard O. Rieger and Amy Butte (together with the Sponsor, the “Founders”) are being held post-Closing. Pursuant to the amended Escrow Agreement:

- The 5,062,500 shares of common stock held by Sponsor (“Sponsor Upfront Escrow Shares”) and all of the shares of common stock held by Founders other than Sponsor (the “Founder Upfront Escrow Shares”) shall be held until (i) with respect to 3,375,000 Sponsor Upfront Escrow Shares and 45,000 Founder Upfront Escrow Shares, the earlier of (A) one year following the date of the Closing (the “Anniversary Release Date”) and (B) the date on which the last sale price of the common stock equals or exceeds \$12.50 per share for any 20 trading days within any 30-trading day period following the Closing, and (ii) with respect to the remaining Sponsor Upfront Escrow Shares and Founder Upfront Escrow Shares, the Anniversary Release Date.
- The Escrow Agent shall hold the 50% of the 1,687,500 shares of common stock held by Sponsor (the “Sponsor Earn-Out Escrow Shares”) until the later of (A) the Anniversary Release Date and (B) the date on which the last sale price of the common stock equals or exceeds \$12.00 per share for any 20 trading days within any 30-trading day period following the Closing (the “First Earn-Out Target”).

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- The Escrow Agent shall hold the other 50% of the Sponsor Earn-Out Escrow Shares until the later of (A) the Anniversary Release Date and (B) the date on which the last sale price of the common stock equals or exceeds \$15.00 per share for any 20 trading days within any 30-trading day period following the Closing (the “Second Earn-Out Target”).
- In the event that neither the First Earn-Out Target Release Notice nor the Second Earn-Out Target Release Notice is delivered on or prior to the fifth anniversary of the Closing, then the Escrow Agent shall release all the Sponsor Earn-Out Escrow Shares to the Company for cancellation for no consideration. In the event that the Second Earn-Out Target Release Notice is not delivered (and the First Earn-Out Target Release Notice has been delivered) on or prior to the fifth anniversary of the Closing, then the Escrow Agent shall release 50% of the Sponsor Earn-Out Escrow Shares to the Company for cancellation for no consideration.

NOTE 7. STOCKHOLDERS’ EQUITY

Preferred Stock — The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company’s board of directors. As of June 30, 2021 and December 31, 2020, there were no shares of preferred stock issued or outstanding.

Common Stock — The Company is authorized to issue 65,000,000 shares of common stock with a par value of \$0.0001 per share. Holders of the common stock are entitled to one vote for each share. As of June 30, 2021 and December 31, 2020, there were 7,887,000 and 8,808,069 shares of common stock issued and outstanding, excluding 27,583,510 and 26,675,733 shares of common stock subject to possible redemption, respectively.

The Company determined the common stock subject to redemption to be equal to the redemption value of approximately \$10.21 per share of common stock while also taking into consideration a redemption cannot result in net tangible assets being less than \$5,000,001. Upon considering the impact of the PIPE Financing and associated Subscription Agreements, it was concluded that the redemption value should include all shares of common stock Public Shares resulting in the common stock subject to possible redemption being equal to \$281,581,276. This resulted in a measurement adjustment to the initial carrying value of the common stock subject to redemption with the offset recorded to additional paid-in capital and accumulated deficit.

Representative Shares

In November 2018, the Company issued to the designees of EarlyBirdCapital, for a nominal consideration, 300,000 shares (after giving effect to the Stock Dividend) of common stock (the “Representative Shares”). The Company accounted for the Representative Shares as an offering cost of the Initial Public Offering, with a corresponding credit to stockholders’ equity. The Company estimated the fair value of Representative Shares to be \$1,200 based upon the price of the Founder Shares issued to the Sponsor. The holders of the Representative Shares have agreed not to transfer, assign or sell any such shares until the completion of a Business Combination. In addition, the holders have agreed (i) to waive their redemption rights (or to sell any shares in a tender offer) with respect to such shares in connection with the completion of a Business Combination and (ii) to waive their rights to liquidating distributions from the Trust Account with respect to such shares if the Company fails to complete a Business Combination within the Combination Period.

NOTE 8. WARRANTS

The Public Warrants will become exercisable 30 days after the completion of a Business Combination. No warrants will be exercisable for cash unless the Company has an effective and current registration statement covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to such shares of common stock. Notwithstanding the foregoing, if a registration statement covering the shares of common stock issuable upon exercise of the public warrants is not effective within 90 days following the consummation of a Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis. The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

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NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

Once the Public Warrants become 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.

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 "cashless basis," as described in the warrant agreement.

The Private Warrants are identical to the Public Warrants underlying the Units sold in the Initial Public Offering, except that the Private Warrants will be exercisable for cash or on a cashless 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 Initial Public Offering.

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. If the Company is unable to complete a Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of warrants will not receive any of such funds with respect to their warrants, nor will they receive any distribution from the Company's assets held outside of the Trust Account with the respect to such warrants. Accordingly, the warrants may expire worthless.

In addition, if (x) the Company issues additional shares of common stock or equity-linked securities for capital raising purposes in connection with the closing of an initial Business Combination at an issue price or effective issue price of less than \$9.50 per share of common stock (with such issue price or effective issue price to be determined in good faith by the Company's board of directors, and in the case of any such issuance to our Sponsor, initial stockholders or their affiliates, without taking into account any founders' shares held by them prior to such issuance), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of an initial Business Combination on the date of the consummation of an initial Business Combination (net of redemptions), and (z) the volume weighted average trading price of the common stock during the 20 trading day period starting on the trading day prior to the day on which the Company consummated an initial Business Combination (such price, the "Market Value") is below \$9.50 per share, the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the greater of (i) the Market Value or (ii) the price at which the Company issues the additional shares of common stock or equity-linked securities.

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NOTE 9. FAIR VALUE MEASUREMENTS

The Company follows the guidance in ASC 820 for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2021 and December 31, 2020 and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	Level	June 30, 2021	December 31, 2020
Assets:			
Cash and marketable securities held in Trust Account	1	\$ 281,671,994	\$ 282,254,978
Liabilities:			
Warrant Liability – Private Warrants	3	4,183,830	4,204,440
Convertible Promissory Notes – Related Party	3	1,686,000	200,000

The Private Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities in the condensed balance sheet. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of warrant liabilities in the condensed statements of operations.

The Private Warrants were valued using a binomial lattice simulation model, which is considered to be a Level 3 fair value measurement. The binomial lattice model's primary unobservable input utilized in determining the fair value of the Private Warrants is the expected volatility of the common stock. The expected volatility as of the Initial Public Offering date was derived from observable public warrant pricing on comparable 'blank-check' companies without an identified target. The expected volatility as of subsequent valuation dates was implied from the Company's own public warrant pricing.

The estimated fair value of the Private Warrants was based on the following significant inputs:

	June 30, 2021	December 31, 2020
Exercise price	\$ 11.50	\$ 11.50
Stock price	\$ 13.63	\$ 17.10
Volatility	46.9%	19.5%
Term	5.00	5.00
Risk-free rate	0.78%	0.26%
Dividend yield	0.00%	0.00%

The following table presents the changes in the fair value of the Level 3 warrant liabilities:

Fair value as of January 1, 2021	\$ 4,204,440
Change in fair value	(20,610)
Fair value as of June 30, 2021	<u>\$ 4,183,830</u>

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The Company elected the fair value option for the Convertible Promissory Notes. The fair value of the Convertible Promissory Notes was determined using a binomial lattice simulation model, which is considered to be a Level 3 fair value measurement.

The estimated fair value of the Convertible Promissory Notes was based on the following significant inputs:

	June 30, 2021
Exercise price	\$ 11.50
Stock price	\$ 13.63
Volatility	46.9%
Term	5.00
Risk-free rate	0.78%
Dividend yield	0.00%
Probability of transaction	90.00%

There were no transfers in or out of Level 3 from other levels in the fair value hierarchy during the three and six months ended June 30, 2021.

The following table presents the changes in the fair value of the Level 3 Convertible Promissory Notes:

Fair value as of January 1, 2021	\$ 200,000
Proceeds received through Convertible Promissory Notes	750,000
Change in fair value	736,000
Fair value as of June 30, 2021	<u>\$ 1,686,000</u>

NOTE 10. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the condensed consolidated financial statements were issued. Based upon this review, other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements.

On July 23, 2021, the Company consummated the previously announced merger pursuant to a certain Agreement and Plan of Merger, dated February 1, 2021, between Tuscan Holdings Corp., Microvast and TSCN Merger Sub Inc., a Delaware corporation, pursuant to which Merger Sub merged with and into Microvast, with Microvast surviving the merger.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References in this report (the “Quarterly Report”) to “we,” “us” or the “Company” refer to Tuscan Holdings Corp. References to our “management” or our “management team” refer to our officers and directors, references to the “Sponsor” refer to Tuscan Holdings Acquisition LLC. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company’s Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2020 as filed with the SEC on March 24, 2021 and June 1, 2021, respectively. The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

We are a blank check company incorporated on November 5, 2018 as a Delaware corporation and formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or similar Business Combination with one or more businesses or entities. We intend to effectuate our initial Business Combination using cash from the proceeds of the Initial Public Offering and the sale of the Private Units, our capital stock, debt or a combination of cash, stock and debt.

Our entire activity since inception relates to our formation, to prepare for our Initial Public Offering, which was consummated on March 7, 2019, and identifying a company for a Business Combination.

Recent Developments

Microvast Business Combination

On February 1, 2021, we entered into the Merger Agreement with Microvast and Merger Sub. Pursuant to the Merger Agreement, Merger Sub merged with and into Microvast and Microvast survived the merger and became our wholly owned subsidiary. Under the Merger Agreement, all of the equity interests of Microvast was converted into an aggregate of 210,000,000 shares of common stock. The Microvast shareholders and the investors in Microvast’s majority-owned subsidiary, MPS, have the ability to earn an additional 20,000,000 shares of common stock if the daily volume weighted average price of the common stock is greater than or equal to \$18.00 for any 20 trading days within a 30 trading day period (or a change of control occurs that results in the holders of common stock receiving a per share price equal to or in excess of \$18.00), during the period commencing on the closing date and ending on the third anniversary of the closing date. Concurrently with the execution of the Merger Agreement, we and Microvast acquired 100% ownership of MPS and discharged certain convertible loans of MPS.

Additionally, the Merger Agreement issued an aggregate of 6,736,106 shares of common stock in connection with the Bridge Note Conversion.

Further, on February 1, 2021, we, the Sponsor, Microvast and certain of our stockholders entered into the Sponsor Support Agreement, pursuant to which the Sponsor Group agreed, among other things, to vote all equity interests of the Company held by such member of the Sponsor Group in favor of the approval and adoption of the proposed business combination with Microvast. Additionally, such members of the Sponsor Group have agreed not to (a) transfer any of their equity interests in the Company (or enter into any arrangement with respect thereto) other than as set forth therein or (b) exercise any conversion rights of any equity interests held by such member of the Sponsor Group in connection with the approval of the proposed business combination.

The Sponsor also agreed that, to the extent that certain of our expenses are in excess of \$46,000,000 (unless such expenses shall have been approved by Microvast), the Sponsor will either (i) pay any such excess amount in cash or (ii) forfeit to us such number of shares of common stock held by the Sponsor that would have a value equal to such excess. The Sponsor also agreed to amend the escrow agreement to make certain adjustments to the terms of the escrow of its shares of common stock as set forth in the Sponsor Support Agreement.

Contemporaneously with the execution of the Merger Agreement, certain investors entered into Subscription Agreements pursuant to which such investors subscribed for an aggregate value of \$482,500,000, representing 48,250,000 shares of our common stock at a purchase price of \$10.00 per share in a private placement to be consummated immediately prior to the consummation of the Transactions. Affiliates of InterPrivate, our co-sponsor, subscribed to purchase 6.5 million shares in the PIPE Financing for an aggregate purchase price of \$65 million.

Extension Amendment

On December 3, 2020, we received stockholder approval to extend the date by which it must complete an initial business combination from December 7, 2020 to April 30, 2021. In connection with such extension, holders of 3,198 Public Shares exercised their right to convert their shares into cash at a conversion price of approximately \$10.22 per share, for an aggregate conversion amount of approximately \$32,684. Additionally, on May 10, 2021, at a reconvened annual meeting of stockholders initially convened on April 28, 2021, we received stockholder approval to further extend the date by which we are required to complete a business combination from April 30, 2021 to July 31, 2021. In connection with such extension, holders of an aggregate of 13,290 Public Shares exercised their right to redeem their shares for cash.

Loan Commitment

On February 12, 2021, we issued an unsecured promissory note to the Sponsor in the aggregate amount of \$1,200,000. The Convertible Promissory Notes are non-interest bearing and payable upon the consummation of a Business Combination. The Convertible Promissory Notes are convertible, at the lender's option, into units of the post Business Combination entity at a price of \$10.00 per unit. The units would be identical to the Private Units. If a Business Combination is not consummated, the Convertible Promissory Notes will not be repaid by the Company and all amounts owed thereunder by the Company will be forgiven except to the extent that the Company has funds available to it outside of its Trust Account.

Nasdaq Notification

On January 6, 2021, we received a notice from the Listing Qualifications Department of The Nasdaq Stock Market stating that we failed to hold an Annual Meeting of stockholders within 12 months after our fiscal year ended December 31, 2019, as required by Nasdaq Listing Rule 5620(a). In accordance with Nasdaq Listing Rule 5810(c)(2)(G), we submitted a plan to regain compliance on February 4, 2021. Nasdaq accepted our plan and granted us an extension through June 29, 2021 to hold an annual meeting. Nasdaq's decision is subject to certain conditions, including that we provide periodic updates with respect to our proposed business combination with Microvast. On April 28, 2021, we held an annual meeting of stockholders, in compliance with our plan.

On May 28, 2021, the Company received a notice from the Listing Qualifications Department of The Nasdaq Stock Market stating that because we failed to timely file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, we were not in compliance with Nasdaq Listing Rule 5250(c)(1). The Company believes that compliance with the listing rule was regained on June 2, 2021 with the filing of the Company's Form 10-Q for the quarter ended March 31, 2021.

Results of Operations

Our only activities through June 30, 2021 were organizational activities, those necessary to consummate the Initial Public Offering, described below, searching for a target company for a Business Combination, and activities in connection with the proposed acquisition of Microvast. We do not expect to generate any operating revenues until after the completion of our Business Combination. We generate non-operating income in the form of interest income on marketable securities held in the Trust Account. We incur expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses.

For the three months ended June 30, 2021, we had a net loss of \$2,050,595, which consisted of operating costs of \$543,914, change in the fair value of convertible promissory notes of \$380,000, change in fair value of warrants of \$1,119,810, unrealized losses of \$420 and provision for incomes taxes of \$16,954, offset by interest income of \$10,503.

For the six months ended June 30, 2021, we had a net loss of \$2,099,420, which consisted of change in the fair value of convertible promissory notes of \$736,000 and operating costs of \$1,434,843, offset by change in the fair value of warrants of \$20,610, interest income of \$46,299 and a benefit for income taxes of \$4,514.

For the three months ended June 30, 2020, we had a net loss of \$297,162, which consisted of operating costs of \$251,714, change in the fair value of warrants of \$133,965, and unrealized loss on marketable securities held in Trust Account of \$938,273, offset by interest income on marketable securities held in Trust Account of \$983,408 and benefit from income taxes of \$43,382.

For the six months ended June 30, 2020, we had a net income of \$1,606,293, which consisted of change in fair value of warrants of \$3,435, interest income on marketable securities held in Trust Account of \$2,010,565, and unrealized gain on marketable securities held in Trust Account of \$499,967, offset by operating costs of \$480,463 and a provision for income taxes of \$427,211.

Liquidity and Capital Resources

On March 7, 2019, we consummated our Initial Public Offering of 24,000,000 Units, at a price of \$10.00 per Unit, generating gross proceeds of \$240,000,000. Simultaneously with the closing of the Initial Public Offering, we consummated the sale of 615,000 Private Units to our Sponsor and EarlyBirdCapital and its designee, generating gross proceeds of \$6,150,000.

On March 12, 2019, in connection with the underwriters' exercise of their over-allotment option in full, we consummated the sale of an additional 3,600,000 Units at a price of \$10.00 per Unit, generating total gross proceeds of \$36,000,000. In addition, we also consummated the sale of an additional 72,000 Private Units to our Sponsor and EarlyBirdCapital and its designee at \$10.00 per Private Unit, generating total gross proceeds of \$720,000.

Following the Initial Public Offering, the exercise of the over-allotment option and the sale of the Private Units, a total of \$276,000,000 was placed in the Trust Account. We incurred \$6,059,098 in Initial Public Offering related costs, including \$5,520,000 of underwriting fees, and \$539,098 of other costs.

As of June 30, 2021, we had marketable securities held in the Trust Account of \$281,671,994 (including approximately \$7,751,000 of interest income and unrealized gains) consisting of U.S. treasury bills with a maturity of 180 days or less. Interest income on the balance in the Trust Account may be used by us to pay taxes. Through June 30, 2021, we withdrew approximately \$2,079,000 of interest earned on the Trust Account to pay our franchise and income tax obligations and share redemptions, of which \$629,000 were withdrawn during the three and six months ended June 30, 2021.

For the six months ended June 30, 2021, cash used in operating activities was \$1,290,879. Net loss of \$2,099,420 was affected by change in fair value of warrants of \$20,610, interest earned on marketable securities held in Trust Account of \$46,299 and a change in the fair value of convertible promissory notes of \$736,000. Changes in operating assets and liabilities provided \$160,918 of cash from operating activities.

For the six months ended June 30, 2020, cash used in operating activities was \$545,136. Net income of \$1,606,293 was affected by change in fair value of warrants of \$3,435, interest earned on marketable securities held in Trust Account \$2,010,565, unrealized gain on marketable securities held in Trust Account of \$499,967, and deferred income tax provision of \$77,924. Changes in operating assets and liabilities provided \$284,614 of cash from operating activities.

We intend to use substantially all of the funds held in the Trust Account, to acquire a target business and to pay our expenses relating thereto, including a fee payable to EarlyBirdCapital, upon consummation of our initial Business Combination for assisting us in connection with our initial Business Combination. To the extent that our capital stock is used in whole or in part as consideration to effect a Business Combination, the remaining funds held in the Trust Account will be used as working capital to finance the operations of the target business. Such working capital funds could be used in a variety of ways including continuing or expanding the target business' operations, for strategic acquisitions and for marketing, research and development of existing or new products. Such funds could also be used to repay any operating expenses or finders' fees which we had incurred prior to the completion of our Business Combination if the funds available to us outside of the Trust Account were insufficient to cover such expenses.

As of June 30, 2021, we had cash of \$66,475. We intend to use the funds held outside the Trust Account for identifying and evaluating prospective acquisition candidates, performing business due diligence on prospective target businesses, traveling to and from the offices, plants or similar locations of prospective target businesses, reviewing corporate documents and material agreements of prospective target businesses, selecting the target business to acquire and structuring, negotiating and consummating the Business Combination.

On April 21, 2020, the Company issued an unsecured promissory note to the Sponsor in the aggregate amount of \$300,000 (the "Note"), of which \$200,000 was drawn upon on such date. On February 12, 2021, the Company issued an unsecured promissory note to the Sponsor in the aggregate amount of \$1,200,000 (together, with the Note, the "Convertible Promissory Notes"). The Convertible Promissory Notes are non-interest bearing and payable upon the consummation of a Business Combination. The Convertible Promissory Notes are convertible, at the lender's option, into units of the post Business Combination entity at a price of \$10.00 per unit. The units would be identical to the Private Units. If a Business Combination is not consummated, the Convertible Promissory Notes will not be repaid by the Company and all amounts owed thereunder by the Company will be forgiven except to the extent that the Company has funds available to it outside of its Trust Account.

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, the Sponsor or our officers and directors or their affiliates may, but are not obligated to, loan us funds on a non-interest basis as may be required, except as described above. If we complete our initial Business Combination, we will repay such loaned amounts. In the event that our initial Business Combination does not close, we may use a portion of the working capital held outside the Trust Account to repay such loaned amounts but no proceeds from our Trust Account would be used for such repayment. Up to \$1,500,000 of notes may be convertible into Private Units, at a price of \$10.00 per unit. The units would be identical to the Private Units.

In addition, the Company has secured an aggregate of \$482.5 million in funding through the PIPE Financing as part of the consummation of the business that occurred on July 23, 2021.

Off-Balance Sheet Financing Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2021.

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities other than an agreement to pay an affiliate of our Sponsor a monthly fee of \$10,000 for office space, utilities and secretarial and administrative support. We began incurring these fees on March 5, 2019 and will continue to incur these fees monthly until the earlier of the completion of the Business Combination and our liquidation.

We have engaged EarlyBirdCapital and Morgan Stanley to provide financial advisory services in connection with our initial business combination, for which such firms will receive fees upon consummation of the transaction with Microvast, as described in more detail in Note 6 to the financial statements. We also engaged Morgan Stanley as placement agent in connection with the PIPE Financing, for which such firm will receive a fee as described in more detail in Note 6 to the financial statements.

Critical Accounting Policies

The preparation of condensed financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following critical accounting policies:

Warrant Liability

We account 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 meet the definition of a derivative as contemplated in ASC 815, we classify the Private Warrants as liabilities at their fair value and adjusts the Private Warrants to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statements of operations. The Private Warrants for periods where no observable traded price was available were valued using a binomial lattice model.

Common Stock Subject to Possible Redemption

We account for common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.” Common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that feature redemption rights that is either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control) is classified as temporary equity. At all other times, common stock is classified as stockholders’ equity. Our common stock features certain redemption rights that are considered to be outside of our control and subject to occurrence of uncertain future events. Accordingly, common stock subject to possible redemption is presented at redemption value as temporary equity, outside of the stockholders’ equity section of our condensed balance sheets.

Net Loss Per Common Share

We apply the two-class method in calculating earnings per share. Net income (loss) per common share, basic and diluted for common stock subject to possible redemption is calculated by dividing the interest income earned on the Trust Account, net of applicable taxes, if any, by the weighted average number of shares of common stock subject to possible redemption outstanding for the period. Net income (loss) per share, basic and diluted for and non-redeemable common stock is calculated by dividing net loss less income attributable to common stock subject to possible redemption, by the weighted average number of shares of non-redeemable common stock outstanding for the period presented.

Recently Adopted Accounting Standards

In August 2020, the FASB issued ASU No. 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”), which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. We adopted ASU 2020-06 effective as of January 1, 2021. The adoption of ASU 2020-06 did not have an impact on our financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on our condensed financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended June 30, 2021, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, solely due to the events that led to the Company’s restatement of its financial statements to reclassify the Company’s Private Warrants as liabilities (which are described in the Company’s Amendment No. 1 to its Annual Report on Form 10-K/A filed on June 1, 2021) (the “Restatement”), during the period covered by this report, a material weakness existed and our disclosure controls and procedures were not effective.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, as the circumstances that led to the Restatement of our financial statements had not yet been identified. Due solely to the events that led to our Restatement of our financial statements, management has identified a material weakness in our internal control over financial reporting relating to the accounting for our Private Warrants. To respond to this material weakness, we have devoted, and plan to continue to devote, significant effort and resources to the remediation and improvement of our internal control over financial reporting. While we have processes to identify and appropriately apply applicable accounting requirements, we plan to enhance these processes to better evaluate our research and understanding of the nuances of the complex accounting standards that apply to our financial statements. Our plans at this time include providing enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third-party professionals with whom we consult regarding complex accounting applications. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this report include the risk factors described in our Annual Report on Form 10-K/A for the year ended December 31, 2020 filed with the SEC on June 1, 2021. As of the date of this Report, there have been no material changes to the risk factors disclosed in our Annual Report filed with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

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

No.	Description of Exhibit
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
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished.

SIGNATURES

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

MICROVAST HOLDINGS, INC.

Date: August 16, 2021

/s/ Yang Wu

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

Date: August 16, 2021

/s/ Yanzhuan Zheng

Name: Yanzhuan Zheng
Title: Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, Yang Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 officer 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, 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 officer 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 control over financial reporting.

Date: August 16, 2021

By: /s/ Yang Wu

Yang Wu
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Yanzhuan Zheng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 officer 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, 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 officer 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 control over financial reporting.

Date: August 16, 2021

By: /s/ Yanzhuan Zheng
Yanzhuan Zheng
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
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 quarterly period ended June 30, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Yang Wu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: August 16, 2021

By: /s/ Yang Wu

Yang Wu
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
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 quarterly period ended June 30, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Yanzhuan Zheng, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: August 16, 2021

By: /s/ Yanzhuan Zheng
Yanzhuan Zheng
Chief Financial Officer
(Principal Financial Officer)