

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

FORM 10-Q/A
Amendment No.1

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 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 300
Stafford, Texas

(Address of principal executive offices)

77477

(Zip Code)

(281) 491-9505

(Registrant’s telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
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 5, 2024, there were 323,815,298 shares of the Company’s common stock, par value \$0.0001, issued and outstanding.

EXPLANATORY NOTE

Microvast Holdings, Inc. (the “Company,” “we,” “us,” or “our”) is filing this Amendment No. 1 on Form 10-Q/A (this “Amendment”) to amend our Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, originally filed with the Securities and Exchange Commission (the “SEC”) on August 9, 2024 (the “Original Form 10-Q”). The Company is filing this Amendment to restate its unaudited consolidated financial statements, financial data, and related disclosures as of and for the three and six-month period ended June 30, 2024 (the “Restatement”), to reflect an adjustment to the previously recorded impairment associated with the Company’s industrial facility located in Clarksville, Tennessee (the “Clarksville Property”), as discussed below.

Restatement of Previously Issued Unaudited Consolidated Financial Statements

During the year-end closing process, the Company identified a discrepancy in its Q2 2024 impairment assessment related to the Clarksville Property. A third-party valuation had been conducted at the time for the asset group of the Clarksville Property including building and auxiliary machinery such as clean rooms and other assets. However, in calculating the carrying value of the asset group, the Company inadvertently excluded the clean rooms from the calculation. Since the carrying value of the asset group did not reflect the full asset base, the excess amount of carrying value over fair value was understated, leading to an understatement of the impairment charge recorded in the three-month period ended June 30, 2024.

The Company determined that an additional impairment charge of \$23.1 million should have been recorded in the three-month period ended June 30, 2024, increasing the total impairment charge from \$64.9 million to \$88.0 million. This adjustment aligns the carrying value of the Clarksville Property with the valuation scope of the third-party appraisal and ensures consistency in the impairment assessment.

As discussed in Note 2 to the financial statements included in this Amendment, we have restated our previously issued unaudited consolidated financial statements to reflect this correction. The Restatement primarily impacts non-cash items, including the impairment charge related to long-lived assets, and does not impact the Company's ongoing operations or liquidity.

The effects of the Restatement on the unaudited consolidated financial statements as of and for the three and six-month period ended June 30, 2024, are as follows:

In thousands of U.S. dollars, except per share data

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	As Reported	As Restated	As Reported	As Restated
Statement of Income				
Impairment loss of long-lived assets	(64,912)	(88,027)	(64,912)	(88,027)
Net loss	(78,441)	(101,556)	(103,266)	(126,381)
Net loss per common share				
Net loss	(78,441)	(101,556)	(103,266)	(126,381)
Basic and diluted	(0.25)	(0.32)	(0.33)	(0.40)

	Six Months Ended June 30, 2024	
	As Reported	As Restated
Statement of Cash Flows		
Net loss	(103,266)	(126,381)
Impairment loss from long-lived asset	64,912	88,027

	Three Months Ended June 30, 2024 Accumulated deficit	
	As Reported	As Restated
Statements of Changes in Shareholders' Equity		
Balance as of March 31, 2024	(922,326)	(922,326)
Net loss	(78,441)	(101,556)
Balance as of June 30, 2024	(1,000,767)	(1,023,882)

	Six Months Ended June 30, 2024 Accumulated deficit	
	As Reported	As Restated
Statements of Changes in Shareholders' Equity		
Balance as of December 31, 2023	(897,501)	(897,501)
Net loss	(103,266)	(126,381)
Balance as of June 30, 2024	(1,000,767)	(1,023,882)

	June 30, 2024	
	As Reported	As Restated
Balance Sheet		
Property, plant and equipment, net	519,432	496,317
Accumulated deficit	(1,000,767)	(1,023,882)

Correction and Internal Control Considerations

We were required to become SOX compliant as of December 31, 2024, and during the year we were in the process of designing and implementing appropriate SOX controls. As part of this process, during the fourth quarter of 2024, we strengthened controls over impairment assessment of long-lived assets by:

- Conducting a precise review of the calculation of the carrying value of the assets group used in the impairment assessment; and
- Reconciling the individual assets included in the assets group carrying value calculation to the valuation scope.

By implementing the above controls effectively during the year-end closing process, we were able to identify the misstatement of impairment and have taken prompt action to amend the previously issued financial statements. We believe this material weakness identified as we implemented our SOX controls has been remediated for the period ended December 31, 2024.

This Amendment amends and restates Items 1, 2, and 4 of Part I and Item 6 of Part II of the Original Form 10-Q and no other information included in the Original Form 10-Q is amended hereby. Generally, no attempt has been made in this Amendment to modify or update the foregoing items, except as required to reflect the effects of the Restatement. Information not affected by the Restatement is unchanged and reflects the disclosures made at the time of the Original Form 10-Q. Accordingly, this Amendment should be read in conjunction with the Company's filings made with the SEC subsequent to the Original Form 10-Q.

In accordance with applicable SEC rules, this Amendment includes updated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

MICROVAST HOLDINGS, INC.
FORM 10-Q
For the Quarter Ended June 30, 2024

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- the effects and associated cost of compliance with existing and future laws and governmental regulations, such as the Inflation Reduction Act;
- economic, financial and other impacts such as a pandemic, including global supply chain disruptions; and
- the impacts of geopolitical events, including the ongoing conflicts between Russia and Ukraine and between Israel and Hamas.

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

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

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	December 31, 2023	June 30, 2024
		(As Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,541	\$ 68,183
Restricted cash, current	37,477	34,737
Short-term investments	5,634	—
Accounts receivable (net of allowance for credit losses of \$4,571 and \$4,679 as of December 31, 2023 and June 30, 2024, respectively)	138,717	104,976
Notes receivable	23,736	10,872
Inventories, net	149,749	152,509
Prepaid expenses and other current assets	25,752	16,675
Held-for-sale assets	—	30,097
Total Current Assets	425,606	418,049
Restricted cash, non-current	6,171	1,564
Property, plant and equipment, net	620,667	496,317
Land use rights, net	11,984	11,565
Acquired intangible assets, net	3,136	2,854
Operating lease right-of-use assets	19,507	19,601
Other non-current assets	9,661	11,494
Total Assets	\$ 1,096,732	\$ 961,444
Liabilities		
Current liabilities:		
Accounts payable	\$ 112,618	\$ 79,891
Notes payable	63,374	48,388
Accrued expenses and other current liabilities	148,284	142,773
Advance from customers	43,087	40,810
Short-term bank borrowings	35,392	60,034
Income tax payables	655	653
Total Current Liabilities	403,410	372,549
Long-term bonds payable	43,157	43,157
Long-term bank borrowings	43,761	34,203
Warrant liability	67	3
Share-based compensation liability	199	190
Operating lease liabilities	17,087	16,363
Convertible loan with shareholder	—	13,313
Other non-current liabilities	24,861	26,678

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

	December 31, 2023	June 30, 2024
		(As Restated)
Total Liabilities	\$ 532,542	\$ 506,456
Commitments and contingencies (Note 17)		
Shareholders' Equity		
Common Stock (par value of US\$0.0001 per share, 750,000,000 and 750,000,000 shares authorized as of December 31, 2023 and June 30, 2024; 316,694,442 and 317,197,947 shares issued, and 315,006,942 and 315,510,447 shares outstanding as of December 31, 2023 and June 30, 2024)	\$ 32	\$ 32
Additional paid-in capital	1,481,241	1,506,031
Statutory reserves	6,032	6,032
Accumulated deficit	(897,501)	(1,023,882)
Accumulated other comprehensive loss	(25,614)	(33,225)
Total Equity	\$ 564,190	\$ 454,988
Total Liabilities and Equity	\$ 1,096,732	\$ 961,444

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
		(As Restated)		(As Restated)
Revenues	\$ 74,953	\$ 83,675	\$ 121,926	\$ 165,026
Cost of revenues	(63,492)	(56,480)	(105,607)	(120,606)
Gross profit	11,461	27,195	16,319	44,420
Operating expenses:				
General and administrative expenses	(23,509)	(23,511)	(43,894)	(47,305)
Research and development expenses	(9,507)	(10,107)	(20,368)	(21,599)
Selling and marketing expenses	(5,897)	(5,026)	(10,885)	(10,617)
Impairment loss of long-lived assets	(51)	(88,027)	(51)	(88,027)
Total operating expenses	(38,964)	(126,671)	(75,198)	(167,548)
Subsidy income	637	735	714	1,269
Loss from operations	(26,866)	(98,741)	(58,165)	(121,859)
Other income and expenses:				
Interest income	1,518	246	2,899	365
Interest expense	(487)	(2,094)	(946)	(3,826)
Changes in fair value of warrant and convertible loan	—	(1,568)	17	(1,526)
Other (expense) income, net	(243)	601	546	465
Loss before provision for income taxes	(26,078)	(101,556)	(55,649)	(126,381)
Income tax expense	—	—	—	—
Net loss	\$ (26,078)	\$ (101,556)	\$ (55,649)	\$ (126,381)
Less: net income attributable to noncontrolling interests	11	—	21	—
Net loss attributable to Microvast Holdings, Inc.'s shareholders	\$ (26,089)	\$ (101,556)	\$ (55,670)	\$ (126,381)
Net loss per common share				
Basic and diluted	\$ (0.08)	\$ (0.32)	\$ (0.18)	\$ (0.40)
Weighted average shares used in calculating net loss per share of common stock				
Basic and diluted	307,742,032	315,509,552	307,728,460	315,438,336

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
		(As Restated)		(As Restated)
Net loss	\$ (26,078)	\$ (101,556)	\$ (55,649)	\$ (126,381)
Foreign currency translation adjustment	(18,002)	(2,494)	(15,814)	(7,611)
Comprehensive loss	\$ (44,080)	\$ (104,050)	\$ (71,463)	\$ (133,992)
Comprehensive loss attributable to non-controlling interests	(107)	—	(129)	—
Total comprehensive loss attributable to Microvast Holding, Inc.'s shareholders	\$ (43,973)	\$ (104,050)	\$ (71,334)	\$ (133,992)

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

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

	Three Months Ended June 30, 2023									
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity	Non-controlling Interests	Total Equity	
	Shares	Amount								
Balance as of March 31, 2023	307,739,948	\$ 31	\$ 1,434,221	\$ (820,746)	\$ (15,861)	\$ 6,032	\$ 603,677	\$ 2,152	\$ 605,829	
Net loss	—	—	—	(26,089)	—	—	(26,089)	11	(26,078)	
Issuance of common stock in connection with vesting of share-based awards	198,995	—	—	—	—	—	—	—	—	
Share-based compensation	—	—	17,968	—	—	—	17,968	—	17,968	
Foreign currency translation adjustments	—	—	—	—	(17,884)	—	(17,884)	(118)	(18,002)	
Balance as of June 30, 2023	307,938,943	\$ 31	\$ 1,452,189	\$ (846,835)	\$ (33,745)	\$ 6,032	\$ 577,672	\$ 2,045	\$ 579,717	

	Six Months Ended June 30, 2023									
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive Income (loss)	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity	Non-controlling Interests	Total Equity	
	Shares	Amount								
Balance as of December 31, 2022	307,628,511	\$ 31	\$ 1,416,160	\$ (791,165)	\$ (18,081)	\$ 6,032	\$ 612,977	\$ —	\$ 612,977	
Net loss	—	—	—	(55,670)	—	—	(55,670)	21	(55,649)	
Capital contribution from non-controlling interests holder	—	—	—	—	—	—	—	2,174	2,174	
Issuance of common stock in connection with vesting of share-based awards	310,432	—	—	—	—	—	—	—	—	
Share-based compensation	—	—	36,029	—	—	—	36,029	—	36,029	
Foreign currency translation adjustments	—	—	—	—	(15,664)	—	(15,664)	(150)	(15,814)	
Balance as of June 30, 2023	307,938,943	\$ 31	\$ 1,452,189	\$ (846,835)	\$ (33,745)	\$ 6,032	\$ 577,672	\$ 2,045	\$ 579,717	

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

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

Three Months Ended June 30, 2024							
	Common Stock		Additional paid-in capital	Accumulated deficit (As Restated)	Accumulated other Comprehensive loss	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity (As Restated)
	Shares	Amount					
Balance as of March 31, 2024	315,508,595	\$ 32	\$ 1,493,139	\$ (922,326)	\$ (30,731)	\$ 6,032	\$ 546,146
Net loss	—	—	—	(101,556)	—	—	(101,556)
Issuance of common stock in connection with vesting of share-based awards	1,852	—	—	—	—	—	—
Share-based compensation	—	—	12,113	—	—	—	12,113
Issuance of warrants	—	—	779	—	—	—	779
Foreign currency translation adjustments	—	—	—	—	(2,494)	—	(2,494)
Balance as of June 30, 2024	315,510,447	\$ 32	\$ 1,506,031	\$ (1,023,882)	\$ (33,225)	\$ 6,032	\$ 454,988

	Six Months Ended June 30, 2024							
	Common Stock		Additional paid-in capital	Accumulated deficit (As Restated)	Accumulated other Comprehensive loss	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity (As Restated)	
	Shares	Amount						
Balance as of December 31, 2023	315,006,942	\$ 32	\$ 1,481,241	\$ (897,501)	\$ (25,614)	\$ 6,032	\$ 564,190	
Net loss	—	—	—	(126,381)	—	—	(126,381)	
Issuance of common stock in connection with vesting of share-based awards	503,505	—	—	—	—	—	—	
Share-based compensation	—	—	24,011	—	—	—	24,011	
Issuance of warrants	—	—	779	—	—	—	779	
Foreign currency translation adjustments	—	—	—	—	(7,611)	—	(7,611)	
Balance as of June 30, 2024	315,510,447	\$ 32	\$ 1,506,031	\$ (1,023,882)	\$ (33,225)	\$ 6,032	\$ 454,988	

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

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

	Six Months Ended June 30,	
	2023	2024 (As Restated)
Cash flows from operating activities		
Net loss	\$ (55,649)	\$ (126,381)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss/ (gain) on disposal of property, plant and equipment	826	16
Interest expense	—	622
Depreciation of property, plant and equipment	9,797	14,912
Amortization of land use right and intangible assets	399	387
Noncash lease expenses	1,465	1,327
Share-based compensation	35,779	23,988
Changes in fair value of warrant and convertible loan	(17)	1,526
(Reversal)/ allowance of credit losses	(832)	755
Write-down for obsolete inventories	928	1,737
Impairment loss from long-lived asset	51	88,027
Product warranty	5,450	6,329
Changes in operating assets and liabilities:		
Notes receivable	(19,808)	10,278
Accounts receivable	10,251	29,622
Inventories	(16,610)	(1,454)
Prepaid expenses and other current assets	(6,842)	8,462
Operating lease right-of-use assets	(5,850)	(1,928)
Other non-current assets	199	(44)
Notes payable	(15,517)	(13,568)
Accounts payable	11,771	(30,516)
Advance from customers	(968)	(2,125)
Accrued expenses and other liabilities	1,020	(12,374)
Operating lease liabilities	3,364	(267)
Other non-current liabilities	(215)	2,811
Net cash (used in) generated from operating activities	(41,008)	2,142
Cash flows from investing activities		
Purchases of property, plant and equipment	(93,630)	(13,186)
Purchase of short-term investments	(419)	—
Proceeds on disposal of property, plant and equipment	648	180
Proceeds from maturity of short-term investments	—	5,564
Net cash used in investing activities	(93,401)	(7,442)
Cash flows from financing activities		
Proceeds from borrowings	9,232	40,462
Repayment of bank borrowings	(3,939)	(23,449)
Convertible loan borrowing from a shareholder	—	12,000
Payment for debt issue costs	—	(525)
Net cash generated from financing activities	5,293	28,488

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

	Six Months Ended June 30,	
	2023	2024
Effect of exchange rate changes	(3,182)	(6,893)
(Decrease) increase in cash, cash equivalents and restricted cash	(132,298)	16,295
Cash, cash equivalents and restricted cash at beginning of the period	302,617	88,189
Cash, cash equivalents and restricted cash at end of the period	\$ 170,319	\$ 104,484

	Six Months Ended June 30,	
	2023	2024
Reconciliation to amounts on unaudited condensed consolidated balance sheets		
Cash and cash equivalents	\$ 142,766	\$ 68,183
Restricted cash	27,553	36,301
Total cash, cash equivalents and restricted cash	\$ 170,319	\$ 104,484

Non-cash investing and financing activities		
Payable for purchase of property, plant and equipment	\$ 82,968	\$ 96,771

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

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

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

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

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

NOTE 2. INCREASED IMPAIRMENT CHARGE OF LONG-LIVED ASSETS

During the year-end closing process, the Company identified a discrepancy in its Q2 2024 impairment assessment related to the Clarksville Property. A third-party valuation has been conducted at the time for the asset group of Clarksville Property including building and auxiliary machinery such as clean rooms and other assets. However, in calculating the carrying value of the asset group, the Company inadvertently excluded the clean rooms from the calculation. Since the carrying value of the asset group did not reflected the full asset base, the excess amount of carrying value over fair value was understated, leading to an understatement of the impairment charge recorded in the three-month period ended June 30, 2024.

The Company determined that an additional impairment charge of \$23,115 should have been recorded in the three-month period ended June 30, 2024, increasing the total impairment charge from \$64,912 to \$88,027. This adjustment aligns the carrying value of the Clarksville Property with the third-party appraisal and ensures consistency in the impairment assessment.

The effects of the Restatement on the unaudited consolidated financial statements as of and for the three and six-month period ended June 30, 2024 are as follows:

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

NOTE 2. INCREASED IMPAIRMENT CHARGE OF LONG-LIVED ASSETS - continued

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	As Reported	As Restated	As Reported	As Restated
Statement of Income				
Impairment loss of long-lived assets	(64,912)	(88,027)	(64,912)	(88,027)
Net loss	(78,441)	(101,556)	(103,266)	(126,381)
Net loss per common share				
Net loss	(78,441)	(101,556)	(103,266)	(126,381)
Basic and diluted	(0.25)	(0.32)	(0.33)	(0.40)

	Six Months Ended June 30, 2024	
	As Reported	As Restated
Statement of Cash Flows		
Net loss	(103,266)	(126,381)
Impairment loss from long-lived asset	64,912	88,027

	Three Months Ended June 30, 2024	
	As Reported	As Restated
Statements of Changes in Shareholders' Equity		
Balance as of March 31, 2024	(922,326)	(922,326)
Net loss	(78,441)	(101,556)
Balance as of June 30, 2024	(1,000,767)	(1,023,882)

	Six Months Ended June 30, 2024	
	As Reported	As Restated
Statements of Changes in Shareholders' Equity		
Balance as of December 31, 2023	(897,501)	(897,501)
Net loss	(103,266)	(126,381)
Balance as of June 30, 2024	(1,000,767)	(1,023,882)

	June 30, 2024	
	As Reported	As Restated
Balance Sheet		
Property, plant and equipment, net	519,432	496,317
Accumulated deficit	(1,000,767)	(1,023,882)

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and use of estimates

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

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

The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending December 31, 2024.

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

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

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

All intercompany transactions and balances have been eliminated upon consolidation.

Going concern

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

For the three months ended June 30, 2023 and 2024, the Group generated revenues of \$74,953 and \$83,675, and gross profit of \$11,461 and \$27,195, respectively. For the six months ended June 30, 2023 and 2024, the Group generated revenues of \$121,926 and \$165,026, gross profit of \$16,319 and \$44,420, respectively.

Despite the above, the Group has incurred significant losses in the three and six months ended June 30, 2023 and 2024. For the three months ended June 30, 2023 and 2024, the Group incurred net losses of \$26,078 and \$101,556, respectively. For the six months ended June 30, 2023 and 2024, the Group incurred net losses of \$55,649 and \$126,381, respectively. As of June 30, 2024, the Group had working capital of \$45,500, shareholders' equity of \$454,988, including an accumulated deficit of \$1,023,882, and cash and cash equivalents balance of \$68,183. As of June 30, 2024, the Group also had outstanding borrowings of \$94,237, of which the amount to be paid in the next 12 months is \$60,034, and other current liabilities of \$312,515, including accounts payable, notes payable, accrued expenses and other current liabilities. Purchase commitments for non-cancelable contractual obligations primarily related to purchases of inventory were \$45,952 as of June 30, 2024.

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Going concern - continued

After the Group launched its new battery cell product in 2021, it made significant investment in capacity expansions in both Huzhou, China and Clarksville, Tennessee, United States. The expansion in Huzhou, China was completed in the third quarter of 2023 and is now generating revenue. The Tennessee expansion was originally scheduled to be completed in the fourth quarter of 2023. Due to the fact that the required funding to complete the Tennessee expansion has not been secured, the expansion was suspended. During the second quarter ended June 30, 2024, the Group has decided to put the construction of Tennessee facility on hold until a project funding is secured. The timing of when this project will be resumed and completed remains uncertain.

As of June 30, 2024, the Group has made total capital commitments for construction and purchase of property, plant and equipment amounting to \$49,965, \$48,929 of which is payable within one year, and most of which relates to production equipment for the Tennessee facility.

As of June 30, 2024, the Group had outstanding payables in relation to assets and services provided for the Tennessee expansion amounting to \$65,934 that were currently due to its suppliers and the Group has received notice of non-payment mainly from certain of these suppliers with a total amount of \$2,410. Further, there are several suppliers which have filed liens, with a total amount of \$35,986 received by the Group as of June 30, 2024, mostly with the county in which the Tennessee project is situated. Several suppliers have also filed litigation alleging that the Group failed to pay for their products or services delivered on the Tennessee project. Refer to Note 17 for details.

The Group has been discussing with those suppliers regarding repayment plans. Subsequent to June 30, 2024 and to the date of issuance of the financial statements, the Group has entered into several subsequent settlement agreements with certain suppliers with payables amounting to approximately \$21,338 as of June 30, 2024. Those agreements grant the Group a concession by forgiving certain contractually owed amounts and release some liens, as well as allow the Group to defer certain payment schedules. Based on those subsequent settlement agreements, a total payable concession of approximately \$6,573 was obtained, liens of approximately \$10,610 will be ultimately released and the payment schedules were generally deferred to monthly installments in the next twelve months.

In light of the capital expenditures required to settle the outstanding payables associated with the Group's Tennessee expansion and operating requirements under its current business plan, the Group is projecting that its existing cash and cash equivalents will not be sufficient to fund its operations and capital expenditure needs through the next twelve months from the date of issuance of its unaudited condensed consolidated financial statements. These conditions and events raise substantial doubt about the Group's ability to continue as a going concern and the Group's ability to continue as a going concern is dependent on its ability to obtain additional capital or secure financing and generate cash from operations.

As of the date of issuance of the financial statements, the Group has secured the following cash flow and liquidity improvement initiatives:

Loan with Mr. Yang Wu

Pursuant to the \$25,000 loan agreement dated May 28, 2024 with Mr. Yang Wu, the Company's Chief Executive Officer and Chairman, the Group has received the first tranche of \$12,000 in May 2024 and the second tranche of \$13,000 in July 2024. Refer to Note 15 - Convertible loan with shareholder for details.

Labor reduction in the U.S.

The Group has reduced the number of employees in the U.S. by 82% during the quarter ended June 30, 2024, which will significantly reduce its operating expenditure, ultimately improving its liquidity.

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Going concern - continued

As of the date of issuance of the financial statements, the Group is pursuing the following funding initiatives:

Bank Loans

On September 27, 2022, the Group entered into a \$111,483 (RMB800 million) loan facilities agreement with a group of lenders led by a bank in China. Pursuant to the agreement, the specified purpose of the loan is for capital expenditures in the PRC. The Group has drawdown \$68,802 (RMB500 million) and the outstanding balance is \$51,305 as of June 30, 2024. For the remaining undrawn loan facility amounting to \$42,681 (RMB300 million), the effective drawdown period is until June 9, 2024. The Group has applied to extend the drawdown period to a later date. Refer to Note 8- Bank Borrowings for details. The banks are currently going through their internal approval process and there is no assurance that the drawdown date will be extended.

Disposal of non-core US real estate assets

The Group has engaged agents to sell certain US real estate assets that are not integral to the Group's cell manufacturing or assembly operations.

In addition to the above, the Group is engaged in discussions with third parties to assess strategic alternatives, including ways to enhance its liquidity.

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

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

Emerging Growth Company

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

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

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

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Nature of Goods and Services

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

Disaggregation of revenue

For the three and six months ended June 30, 2023 and 2024, the Group derived revenues from geographic regions as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
<i>People's Republic of China ("PRC")</i>	\$ 46,122	\$ 33,282	\$ 78,734	\$ 60,474
<i>Other Asia & Pacific countries</i>	18,520	2,371	21,669	25,665
Asia & Pacific	64,642	35,653	100,403	86,139
Europe	9,337	46,745	19,522	75,666
U.S.	974	1,277	2,001	3,221
Total	\$ 74,953	\$ 83,675	\$ 121,926	\$ 165,026

Contract balances

Contract balances include accounts receivable and advances from customers. Accounts receivable represent cash not received from customers and are recorded when the rights to consideration are unconditional. The allowance for credit losses reflects the best estimate of probable losses inherent to the accounts receivable balance. Contract liabilities, recorded in advance from customers in the consolidated balance sheets, represent payment received in advance or payment received related to a material right provided to a customer to acquire additional goods or services at a discount in a future period. During the three months ended June 30, 2023 and 2024, the Group recognized \$1,068 and \$1,425 of revenue previously included in advance from customers as of April 1, 2023 and April 1, 2024, respectively. During the six months ended June 30, 2023 and 2024, the Group recognized \$2,485 and \$4,206 of revenue previously included in advance from customers as of January 1, 2023 and January 1, 2024, respectively.

Share-based compensation

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

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

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Operating leases

As of June 30, 2024, the Company recorded operating lease right-of-use (ROU) assets of \$19,601 and operating lease liabilities of \$19,606, including current portion in the amount of \$3,243, which was recorded under accrued expenses and other current liabilities on the balance sheet.

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

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

Impairment of long-lived assets

In accordance with ASC 360, Property, Plant and Equipment ("ASC 360"), the Company reviews long-lived assets such as property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets, and an impairment loss is recorded as a component of operating expenses. Fair value is estimated based on various valuation techniques. For assets held for sales, the amount of potential impairment may be based upon appraisal of the asset, estimated market value of similar assets or estimated cash flow from the disposition of the asset. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

During the three months ended June 30, 2024, the Company decided to pause the construction of the Clarksville Property until additional funding for the remaining capital expenditure is secured. As a result, the Company reassessed the recoverability of the long-lived assets in the U.S. and utilized the residual method to estimate the fair value of the plant under construction located in Tennessee. For other long-lived assets in the U.S., the Company estimated market value or estimated cash flow from disposition of the assets. The Company recorded impairment loss of long-lived assets of \$51 and \$88,027 for the three and six months ended June 30, 2023 and 2024, respectively, in operating expenses.

Asset held for sales

Assets to be disposed of by sale are reported at the lower of the carrying value or fair value less cost to sell when the Company has committed to a sale agreement and would be reported separately as asset held for sales in the unaudited condensed consolidated balance sheets.

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Convertible loan with shareholder

The Company has elected the fair value option to account for the Convertible loan with shareholder, and records changes in fair value in the unaudited condensed consolidated statements of operations, with the exception of changes in fair value due to instrument-specific credit risk which, if present, will be recorded as a component of other comprehensive income. Interest expense related to the convertible loan is included in the changes in fair value. As a result of applying the fair value option, direct costs and fees related to the convertible loan were expensed as incurred. Losses were recognized \$1,590 for the three months and six months ended June 30, 2024. The fair value of the Convertible loan with shareholder was determined by using a discounted cash flow model for the bond component and a Black-Scholes-Merton model for the conversion option, which is considered a Level 3 fair value measurement.

Warrant

The Company determines the accounting classification of warrants it issues as either liability or equity classified by first assessing whether the warrants meet liability classification in accordance with ASC 480-10, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("ASC 480"), then in accordance with ASC 815-40 ("ASC 815"), Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock. Under ASC 480, warrants are considered liability classified if the warrants are mandatory redeemable, obligate the Company to settle the warrants or the underlying shares by paying cash or other assets, or warrants that must or may require settlement by issuing variable number of shares. If warrants do not meet liability classification under ASC 480, the Company assesses the requirements under ASC 815, which states that contracts that require or may require the issuer to settle the contract for cash are liabilities recorded at fair value, irrespective of the likelihood of the transaction occurring that triggers the net cash settlement feature. If the warrants do not require liability classification under ASC 815, and in order to conclude equity classification, the Company also assesses whether the warrants are indexed to its Common Stock and whether the warrants are classified as equity under ASC 815 or other applicable GAAP. After all relevant assessments, the Company concludes whether the warrants are classified as liability or equity. Liability classified warrants require fair value accounting at issuance and subsequent to initial issuance with all changes in fair value after the issuance date recorded in the unaudited consolidated statements of operations. Equity classified warrants only require fair value accounting at issuance with no changes recognized subsequent to the issuance date. Refer to Notes 11 for information regarding the warrants issued.

Recent accounting pronouncements not yet adopted

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

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

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NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	December 31, 2023	June 30, 2024
Accounts receivable	\$ 143,288	\$ 109,655
Allowance for credit losses	(4,571)	(4,679)
Accounts receivable, net	<u>\$ 138,717</u>	<u>\$ 104,976</u>

Movement of allowance for credit losses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Balance at beginning of the period	\$ 3,270	\$ 5,065	\$ 4,407	\$ 4,571
Charges /(Reversal) of expenses	262	177	(832)	755
Write off	—	(529)	(66)	(529)
Recoveries of credit losses	121	—	121	—
Exchange difference	(185)	(34)	(162)	(118)
Balance at end of the period	<u>\$ 3,468</u>	<u>\$ 4,679</u>	<u>\$ 3,468</u>	<u>\$ 4,679</u>

NOTE 5. INVENTORIES, NET

Inventories consisted of the following:

	December 31, 2023	June 30, 2024
Work in process	\$ 86,379	\$ 92,254
Raw materials	35,867	41,284
Finished goods	27,503	18,971
Total	<u>\$ 149,749</u>	<u>\$ 152,509</u>

Provision for obsolete inventories at \$928 and \$1,737 were recognized for the six months ended June 30, 2023 and 2024, respectively.

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NOTE 6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2023	June 30, 2024
Product warranty, current	\$ 13,738	\$ 13,603
Payables for purchase of property, plant and equipment	96,350	96,771
Other current liabilities	14,312	16,490
Accrued payroll and welfare	8,089	4,730
Accrued expenses	6,224	5,926
Interest payable	41	898
Other tax payable	7,117	1,112
Operating lease liabilities, current	2,413	3,243
Total	\$ 148,284	\$ 142,773

NOTE 7. PRODUCT WARRANTY

Movement of product warranty was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Balance at beginning of the period	\$ 39,610	\$ 35,448	\$ 42,060	\$ 35,217
Provided during the period	2,920	3,060	5,450	6,329
Utilized during the period	(3,338)	(4,098)	(8,510)	(6,546)
Exchange difference	(2,084)	(226)	(1,892)	(816)
Balance at end of the period	\$ 37,108	\$ 34,184	\$ 37,108	\$ 34,184

	December 31, 2023	June 30, 2024
Product warranty – current	\$ 13,738	\$ 13,603
Product warranty – non-current	21,479	20,581
Total	\$ 35,217	\$ 34,184

NOTE 8. BANK BORROWINGS

On September 27, 2022, the Group entered into a \$111,483 (RMB800 million) loan facilities agreement with a group of lenders led by a bank in China (the "2022 Facility Agreement"). The 2022 Facility Agreement had an effective drawdown period until June 9, 2023, which was extended to June 9, 2024 by a supplemental agreement signed in October 2023. The Company is currently in negotiations with the lead bank to further extend to a later date. Should the banks not reach agreement then the Company would lose access to the undrawn amount of \$42,681 (RMB300 million). This would have no impact on the amount already drawn of \$68,802 (RMB500 million) which would continue to be repaid in accordance with the scheduled repayment dates. The interest rate is prime plus 115 basis points where prime is based on Loan Prime Rate published by the National Inter-bank Funding Center of the PRC and is payable on a quarterly basis. The loan facilities can only be used for the manufacturing capacity expansion at the Group's facility located in Huzhou, China. Accordingly, the Group has the balance of restricted cash of \$6,171 and \$1,218 as of December 31, 2023 and June 30, 2024, respectively. The 2022 Facility Agreement contains certain customary restrictive covenants, including but not limited to disposal of assets and dividend distribution without the consent of the lender, and certain customary events of default.

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NOTE 8. BANK BORROWINGS - continued

As of June 30, 2024, the Group had outstanding borrowings of \$51,305 under the 2022 Facility Agreement.

Repayment Date	Repayment Amount
December 10, 2024	\$8,551 (RMB62.1 million)
June 10, 2025	\$8,551 (RMB62.1 million)
December 10, 2025	\$8,551 (RMB62.1 million)
June 10, 2026	\$12,826 (RMB93.2 million)
December 10, 2026	\$12,826 (RMB93.2 million)

The amount of capitalized interest expenses, which was recorded in construction in progress and property, plant and equipment, was \$504 and \$0 for the three months ended June 30, 2023 and 2024, respectively, and \$1,028 and \$0 for the six months ended June 30, 2023 and 2024, respectively.

The Group has also entered into short-term loan agreements and bank facilities with certain banks in China. The original terms of these loans are with a maximum maturity of 12 months and the interest rates range from 3.30% to 4.85% per annum.

Changes in bank borrowings are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Beginning balance	\$ 50,964	\$ 84,065	\$ 46,395	\$ 79,153
Proceeds from bank borrowings	4,848	21,682	9,232	40,462
Repayments of principal	(3,939)	(10,929)	(3,939)	(23,449)
Exchange difference	(2,727)	(581)	(2,542)	(1,929)
Ending balance	<u>\$ 49,146</u>	<u>\$ 94,237</u>	<u>\$ 49,146</u>	<u>\$ 94,237</u>

	December 31, 2023	June 30, 2024
Balance of bank borrowings includes:		
Current	\$ 35,392	\$ 60,034
Non-current	43,761	34,203
Total	<u>\$ 79,153</u>	<u>\$ 94,237</u>

Certain assets of the Group have been pledged to secure the above bank facilities granted to the Group. The aggregate carrying amount of the assets pledged by the Group as of December 31, 2023 and June 30, 2024 are as follows:

	December 31, 2023	June 30, 2024
Buildings	\$ 124,565	\$ 118,658
Machinery and equipment	—	7,499
Land use rights	11,984	11,565
Construction in progress	—	595
Total	<u>\$ 136,549</u>	<u>\$ 138,317</u>

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NOTE 9. OTHER NON-CURRENT LIABILITIES

	December 31, 2023	June 30, 2024
Product warranty - non-current	\$ 21,479	\$ 20,581
Deferred subsidy income- non-current	3,382	6,097
Total	\$ 24,861	\$ 26,678

NOTE 10. BONDS PAYABLE

	December 31, 2023	June 30, 2024
Long-term bonds payable		
Huzhou Saiyuan	\$ 43,157	\$ 43,157
Total	\$ 43,157	\$ 43,157

Huzhou Saiyuan Loan

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

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

In September 2020 and 2022, MPS entered into two supplement agreements with Huzhou Saiyuan, respectively, to change the repayment schedule as follows: (i) \$14,629 (RMB100 million) was repaid, together with interest accrued, on or before November 10, 2022, (ii) \$14,630 (RMB100 million) was repaid, together with interest accrued, on or before December 31, 2022, and (iii) the remaining \$43,888 (RMB300 million) will be repaid, together with interest accrued, on or before January 31, 2027. The applicable interest rate will be increased to 12% if the Group is in default on the repayment of the bonds at the due date. The remaining terms and conditions of the convertible bonds were unchanged. The Company has complied in full with the amended repayment schedule and accordingly, as of June 30, 2024, the subscription and outstanding balance of the convertible bonds was \$43,157 (RMB295 million).

NOTE 11. WARRANTS

The Company assumed 27,600,000 publicly-traded warrants ("Public Warrants") and 837,000 private placement warrants issued to Tuscan Holdings Acquisition LLC (the "Sponsor") and EarlyBirdCapital, Inc. ("EarlyBirdCapital") ("Private Warrants" and together with the Public Warrants, the "Warrants") upon the Business Combination, all of which were issued in connection with Tuscan's initial public offering (other than 150,000 Private Warrants that were issued in connection with the closing of the Business Combination) and entitle the holder to purchase one share of the Company's Common Stock at an exercise price of \$11.50 per share. During the three and six months ended June 30, 2024, none of the Public Warrants or the Private Warrants were exercised.

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NOTE 11. WARRANTS - continued

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

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

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

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

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

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

The Private Warrant liability was remeasured at fair value as of June 30, 2024, resulting in a gain of \$22 and \$64 for the three and six months ended June 30, 2024, classified within changes in fair value of warrant liability in the unaudited condensed consolidated statements of operations, respectively.

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

	June 30, 2024
Market price of public stock	\$ 0.46
Exercise price	\$ 11.50
Expected term (years)	2.07
Volatility	82.77 %
Risk-free interest rate	4.58 %
Dividend rate	0.00 %

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NOTE 11. WARRANTS - continued

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

On May 28, 2024, the Company also issued a warrant exercisable for 5,500,000 shares of Common Stock at an initial exercise price of \$2.00 per share. The Warrant expires on May 28, 2029 in connection of the convertible loan with shareholder. See Note 15 – Convertible loan with shareholder.

NOTE 12. FAIR VALUE MEASUREMENT

Measured or disclosed at fair value on a recurring basis

The Group measured its financial assets and liabilities, including cash and cash equivalents, restricted cash and warrant liability on a recurring basis as of December 31, 2023 and cash and cash equivalents, restricted cash and warrant liability, Convertible loan with shareholder and relative warrant at fair value on a recurring basis as of June 30, 2024. Cash and cash equivalents and restricted cash are classified within Level 1 of the fair value hierarchy because they are valued based on the quoted market price in an active market. The fair value of the warrant liability, Convertible Loan with shareholder are based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy. In determining the fair value of the warrant liability, the Company used the Monte Carlo Model that assumes optimal exercise of the Company's redemption option at the earliest possible date. See Note 11 – Warrants. The Convertible Loan and relative warrants were valued using the following assumptions under the Black-Scholes-Merton model, which is a generally accepted computational model typically used for pricing options and is considered a Level 3 fair value measurement. See Note 15 – Convertible loan with shareholder.

As of December 31, 2023 and June 30, 2024, information about inputs for the fair value measurements of the Group's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

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

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NOTE 12. FAIR VALUE MEASUREMENT - continued

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

Fair Value Measurement as of June 30, 2024				
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 68,183	—	—	\$ 68,183
Restricted cash	\$ 36,301	—	—	\$ 36,301
Total financial asset	\$ 104,484	—	—	\$ 104,484
Warrant liability	\$ —	—	3	\$ 3
Convertible loan with shareholder	\$ —	—	13,313	\$ 13,313
Total financial liability	\$ —	—	13,316	\$ 13,316

The following is a reconciliation of the beginning and ending balances for Level 3 warrant liability during the six months ended June 30, 2023 and 2024:

	Six Months Ended June 30,	
	2023	2024
Balance at the beginning of the period	\$ 126	\$ 67
Changes in fair value	(17)	(64)
Balance at end of the period	\$ 109	\$ 3

The following is a reconciliation of the beginning and ending balances for Level 3 convertible loan with shareholder during the six months ended June 30, 2024:

	Six Months Ended June 30, 2024
Balance at the beginning of the period	\$ —
Issuance of convertible loan with shareholder	11,723
Changes in fair value	1,590
Balance at end of the period	\$ 13,313

Measured or disclosed at fair value on a nonrecurring basis

The Company's assets measured at fair value on a nonrecurring basis include long-lived assets. The Company reviews the carrying amounts of such assets when events indicate that their carrying amounts may not be recoverable. Any resulting asset impairment would require that the asset be recorded at its fair value. The fair value of the asset or asset group is determined using cost approach, sales comparison approach and income capitalization approach with unobservable inputs (Level 3), depending on the underlying nature of the asset or the asset group.

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NOTE 13. LEASES

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

Operating lease cost for the three and six months ended June 30, 2024 was \$859 and \$1,719, which excluded cost of short-term contracts. Short-term lease cost for the three and six months ended June 30, 2024 was \$145 and \$304.

As of June 30, 2024, the weighted average remaining lease term was 9.3 years and weighted average discount rate was 5.2% for the Group's operating leases.

Supplemental cash flow information of the leases were as follows:

	Six months ended June 30, 2024
Cash payments for operating leases	\$ 1,688
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,217

The following is a maturity analysis of the annual undiscounted cash flows for lease liabilities as of June 30, 2024:

	As of June 30, 2024
Six-month period ending December 31, 2024	\$ 2,301
2025	\$ 3,663
2026	\$ 2,823
2027	\$ 2,384
2028	\$ 1,808
2029	\$ 1,615
Thereafter	\$ 9,828
Total future lease payments	\$ 24,422
Less: Imputed interest	(4,816)
Present value of operating lease liabilities	\$ 19,606

NOTE 14. SHARE-BASED PAYMENT

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

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NOTE 14. SHARE-BASED PAYMENT - continued

Stock options

On April 10, 2024, a terminated and a transition advisory services agreement was entered between a former employee and the Company. According to this agreement, all unvested restricted stock units, performance-based restricted stock units and stock options held by the employee as of April 10, 2024 will vest in full immediately following April 10, 2025. The Company accounted for the modification as a Type III (improbable-to-probable) modification, which represents the modification of the award that was not expected to vest under the original vesting conditions at the date of the modification. The Company recognized compensation cost equal to the modified award's fair value at the date of the modification over the period in which the former employee serves as consultant to the Company.

The modification date fair value of the stock options was determined using the Black Scholes model with the following assumptions:

	Six months ended June 30, 2024	
Exercise price	\$	5.69
Expected terms (years)		1.25
Volatility		85.66 %
Risk-free interest rate		5.00 %
Expected dividend yields		0.00 %
Fair value of options granted	\$	0.0035

The exercise prices for each award were extracted from the option agreements. The expected terms for each award were derived using the simplified method, and is estimated to occur at the midpoint of the vesting date and the expiration date. The volatility of the underlying common stock during the lives of the options was a blend of implied volatility from the average volatility of peer companies, implied volatility and the Company's historical volatility. Risk-free interest rate was estimated based on the market yield of US Government Bonds with maturity close to the expected term of the options. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

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NOTE 14. SHARE-BASED PAYMENT - continued

Stock options - continued

Stock options activity for the six months ended June 30, 2023 and 2024 was as follows:

Stock options life	Number of Shares	Weighted Average Exercise Price (US\$)	Weighted Average Grant Date Fair Value (US\$)	Weighted Average Remaining Contractual Life
Outstanding as of December 31, 2022	36,091,071	6.08	4.80	6.8
Grant	240,000	1.25	0.67	
Forfeited	(347,317)	6.28	4.86	
Outstanding as of June 30, 2023	35,983,754	6.04	4.77	6.3
Expected to vest and exercisable as of June 30, 2023	35,983,754	6.04	4.77	6.3
Exercisable as of June 30, 2023	12,563,621	6.14	4.87	6.3
Outstanding as of December 31, 2023	32,876,682	6.01	4.73	5.7
Forfeited	(1,243,497)	4.22	2.83	
Outstanding as of June 30, 2024	31,633,185	6.08	4.80	5.2
Expected to vest and exercisable as of June 30, 2024	31,633,185	6.08	4.80	5.2
Exercisable as of June 30, 2024	20,922,066	6.15	4.88	5.2

During the three months ended June 30, 2023 and 2024, the Company recorded share-based compensation expense of \$13,396 and \$10,285 related to the option awards, respectively. During the six months ended June 30, 2023 and 2024, the Company recorded share-based compensation expense of \$27,055 and \$22,313 related to the option awards, respectively.

The total unrecognized equity-based compensation costs as of June 30, 2024 related to the stock options was \$4,031, which is expected to be recognized over a weighted-average period of 0.1 years. The aggregate intrinsic value of the stock options as of June 30, 2024 was \$0.

Capped Non-vested share units

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

During the three months ended June 30, 2023 and 2024, the Company recorded share-based compensation expense of \$3,302 and \$1,226, related to these CRSUs, respectively. During the six months ended June 30, 2023 and 2024, the Company recorded share-based compensation expense of \$6,546 and \$2,481, related to these CRSUs, respectively.

The total unrecognized equity-based compensation costs as of June 30, 2024 related to the CRSUs was \$313.

Restricted Stock Units

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

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NOTE 14. SHARE-BASED PAYMENT - continued

Restricted Stock Units - continued

The fair value of RSUs is determined by the market closing price of Common Stock at the grant date and is amortized over the vesting period on a straight-line basis. The fair value of PSUs that include vesting based on market conditions are estimated using the Monte Carlo valuation method. For PSUs with performance conditions, share-based compensation expense is only recognized if the performance conditions become probable to be satisfied. Compensation cost for these awards is amortized on a straight-line basis over the vesting period based on the grant date fair value, regardless of whether the market condition is satisfied. Accordingly, the Company recorded share-based compensation expense of \$271 and \$700 related to these RSUs and \$324 and \$(1,492) related to these PSUs during the three and six months ended June 30, 2024, respectively. During the three and six months ended June 30, 2023, the Company recorded share-based compensation expense of \$512 and \$959 related to these RSUs and \$789 and \$1,508 related to these PSUs, respectively.

The non-vested shares activity for the six months ended June 30, 2023 and 2024 was as follows:

	Number of Non-Vested Shares	Weighted Average Grant Date Fair Value Per Share (US\$)
Outstanding as of December 31, 2022	1,222,837	6.92
Grant	2,900,695	1.86
Vested	(310,432)	3.85
Forfeited	(51,036)	4.21
Outstanding as of June 30, 2023	3,762,064	3.31
Outstanding as of December 31, 2023	3,598,606	3.07
Grant	79,909	1.40
Vested	(503,505)	2.65
Forfeited	(749,267)	4.33
Outstanding as of June 30, 2024	2,425,743	2.72

The total unrecognized equity-based compensation costs as of June 30, 2024 related to the non-vested shares was \$2,880.

The following summarizes the classification of share-based compensation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Cost of revenues	\$ 1,525	\$ 1,481	\$ 3,029	\$ 2,619
General and administrative expenses	12,419	7,633	24,587	15,800
Research and development expenses	2,693	2,521	5,707	4,298
Selling and marketing expenses	1,213	488	2,456	1,271
Construction in process	149	(17)	289	14
Total	\$ 17,999	\$ 12,106	\$ 36,068	\$ 24,002

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NOTE 15. CONVERTIBLE LOAN WITH SHAREHOLDER

On May 28, 2024, Microvast Inc. entered into a \$25,000 convertible loan agreement ("Loan Agreement") with Mr. Yang Wu, the Company's Chief Executive Officer and Chairman.

The loan includes an Initial Term Loan of \$12,000 and a Delayed Draw Term Loan of \$13,000 at an initial interest rate equal to Secured Overnight Financing Rate("SOFR"), plus an initial Applicable Margin of 9.75% per annum, 3.75% of which shall be paid in kind rather than in cash. The maturity date is November 28, 2025, which may be accelerated upon the occurrence and continuance of an event of default in accordance with the terms of the Loan Agreement. The Loan Agreement also provides Mr. Wu with the right to convert the outstanding principal balance of the Loan, into shares of common stock at an initial conversion rate equal to two shares of Common Stock per \$1.00 of principal amount to be converted.

The Initial Term Loans of \$12,000 was received in May 2024 and the Delayed Draw Term loan was received in July 2024.

The loan is secured by a first priority security interest in substantially all of its assets by Microvast Inc. and all other entities within the Group as guarantors.

The Group has elected fair value option to account for the convertible loan. Direct costs and fees related to the convertible loan were expensed as incurred. The fair value was determined by using a discounted cash flow model for the bond component and a Black-Scholes-Merton model for the conversion option, which is considered a Level 3 fair value measurement. Subsequent changes in the fair value are recorded as gains (losses) in the unaudited condensed consolidated statement of operation. During the three months ended June 30, 2024, a loss of \$1,590 on fair value change of convertible loan with shareholder was recorded. The outstanding balance for the Convertible loan with shareholder was \$13,313 as of June 30, 2024.

In connection with the convertible loan from Mr. Wu Yang, on May 28, 2024, the Company issued to Mr. Wu a warrant exercisable for 5,500,000 shares of Common Stock at an initial exercise price of \$2.00 per share. The warrant expires on May 28, 2029. No warrants were exercised during the period ended June 30, 2024. As of June 30, 2024, 5,500,000 warrants were outstanding and the Group recorded the warrant value of \$779 in additional paid in capital.

The significant input of the discounted cash flow model for the bond component is the discount rate. Below are the key inputs used in Black-Scholes-Merton model for the conversion option:

	June 30, 2024
Market price of public stock	\$ 0.46
Exercise price	\$ 0.50
Expected term (years)	1.50
Volatility	53.08 %
Risk-free interest rate	4.94 %
Dividend rate	0.00 %

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

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NOTE 16. NET LOSS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Numerator:				
Net loss attributable to common stock shareholders	\$ (26,089)	\$ (101,556)	\$ (55,670)	\$ (126,381)
Denominator:				
Weighted average common stock used in computing basic and diluted net loss per share	307,742,032	315,509,552	307,728,460	315,438,336
Basic and diluted net loss per share	\$ (0.08)	\$ (0.32)	\$ (0.18)	\$ (0.40)

For the three and six months ended June 30, 2023 and 2024, the following Common Stock outstanding were excluded from the calculation of diluted net loss per share, as their inclusion would have been anti-dilutive for the periods prescribed.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Shares issuable upon exercise of stock options	36,123,034	31,762,229	36,088,798	32,006,030
Shares issuable upon vesting of non-vested shares	3,979,361	2,555,946	3,527,440	2,760,854
Shares issuable upon vesting of Capped non-vested shares	13,349,144	6,617,351	13,349,144	6,617,351
Shares issuable upon exercise of warrants	28,437,000	30,431,505	28,437,000	29,434,253
Shares issuable upon vesting of Earn-out shares	19,999,988	19,999,988	19,999,988	19,999,988
Shares issuable that may be subject to cancellation	1,687,500	1,687,500	1,687,500	1,687,500

NOTE 17. COMMITMENTS AND CONTINGENCIES
Litigation
Corporate Governance Actions

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

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NOTE 17. COMMITMENTS AND CONTINGENCIES - continued

Litigation - continued

Corporate Governance Actions - continued

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

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

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

Securities Litigation

The Company and certain of its officers have also been named as defendants in a putative class action complaint by a shareholder of the Company in the U.S. District Court for the Southern District of Texas under the caption *Schelling v. Microvast Holdings, Inc.*, Case No. 4:23-cv-04565 (S.D. Tex.) (filed Dec. 5, 2023) (the "Schelling Action"). The complaint alleges that defendants violated certain federal securities laws by making misleading statements regarding the receipt of a conditional grant from the United States Department of Energy, the Company's profitability, and the nature of Company-associated operations in China. On March 1, 2024, the court appointed Co-Lead Plaintiffs and Co-Lead Counsel for the proposed class of Company investors. On March 14, 2024, the court approved a proposed schedule for filing of an amended complaint and briefing of a motion to dismiss. Plaintiffs amended their complaint on May 13, 2024, and Defendants filed a motion to dismiss on June 20, 2024. Briefing on the motion to dismiss will be completed by September 10, 2024.

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

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

NOTE 17. COMMITMENTS AND CONTINGENCIES - continued

Litigation - continued

Securities Litigation - continued

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

Other Matters

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

Deidra Milan is an ex-employee of Microvast, and is the putative representative of a class of more than 100 individual employees who were let go from their jobs at a plant in Clarksville, Tennessee. She has filed *Civil Action No. 3:24-cv-00627, Deidre Milan, Plaintiff v. Microvast, Inc. and Microvast Holdings, Inc.* The Company filed an answer to the suit on July 19, 2024. The Class Action Complaint is brought under the Worker Adjustment and Notification Act, 29 U.S.C. §§2101-2109 (the "WARN Act"), which requires advance notice before laying off employees in a plant closing and under certain other circumstances. Plaintiff alleges that Defendants made the decision to terminate over 50 employees and at least one-third of their workforce from the Clarksville, Tennessee facility. The complaint also alleges that Defendants have continued the layoffs with other employees being let go in April and as recently as May 17, 2024. Plaintiffs allege that these layoffs were not in good faith, all in violation of the WARN Act. Plaintiffs seek backpay, medical expenses, attorney's fees and statutory penalties in an unspecified amount.

Microvast, Inc., a subsidiary of the Company, has been named as a defendant in a contract dispute litigation filed in Montgomery County Chancery Court for the State of Tennessee under the caption *DPR Construction, GP vs. Microvast, Inc., et al*, Case No. CD-24-31 (Tenn. Ch.) (filed June 20, 2024). The Plaintiff alleges that the Company failed to pay it for construction work that is performed on a Microvast facility in Tennessee, and seeks damages of \$19,950 in progress billings, the additional sum of \$1,566 being held as retainage on Plaintiff's progress billings under the contract, lost profits on the work yet to be performed under the contract plus certain fees and expenses, and foreclosure on the facility to satisfy the payment allegedly owed.

Microvast, Inc. has been named as a defendant in a contract dispute litigation filed in Montgomery County Chancery Court for the State of Tennessee under the caption *Faith Technologies, Inc. Microvast, Inc. et al.*, Case No. CD-24-36 (Tenn. Ch.) (filed on July 15, 2024). Plaintiff asserts claims for damages related to its subcontract with DPR Construction, GP under which Plaintiff provided fire protection system services on a Microvast facility in Tennessee, and seeks damages of \$1,699 plus cost of court and attorneys and prejudgment interest.

Microvast, Inc. has been named as a defendant in an action filed in Montgomery County Chancery Court for the State of Tennessee under the caption *Bernhard MCC v. Hodess Cleanroom Construction, LLC, Hodess Construction Corporation, Microvast, Inc., and The Industrial Development Board of the County of Montgomery*, Case No. CD-24-26 (Tenn. Ch.) (filed on May 28, 2024) brought by a subcontractor on the Microvast Facility in Tennessee for lien enforcement of \$2,173.

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NOTE 17. COMMITMENTS AND CONTINGENCIES - continued

Litigation - continued

Other Matters - continued

Microvast, Inc. has been named as a defendant in an action filed in Montgomery County Chancery Court for the State of Tennessee under the caption *Bernhard MCC, LLC. vs. U.S. Engineering Innovations, LLC, DPR Construction, Microvast, Inc. and the Industrial Development Board of the County of Montgomery*, Case No. CD-24-27 (Tenn. Ch.) (filed on May 28, 2024) brought by a subcontractor on the Microvast Facility in Tennessee for lien enforcement of \$5,681.

Microvast, Inc. has been named as a defendant in an action filed in Montgomery County Chancery Court for the State of Tennessee under the caption *Virginia Transformer Corp. v. Microvast, Inc. and the Industrial Development Board of the County of Montgomery, Tennessee*, Case No. RE-24-32 (Tenn. Ch.) (filed on July 01, 2024) brought by a prime contractor on the Microvast Facility in Tennessee for lien enforcement of \$1,769.

The Group is also involved in other litigation, claims, and proceedings. The Group evaluates the status of each legal matter and assesses the potential financial exposure. If the potential loss from any legal proceedings or litigation is considered probable and the amount can be reasonably estimated, the Group accrues a liability for the estimated loss. Significant judgment is required to determine the probability of a loss and whether the amount of the loss is reasonably estimated. As of December 31, 2023 and June 30, 2024, based on the information currently available, the Group believes that any loss contingencies that may arise as a result of currently pending legal proceedings cannot be accurately quantified at this time and thus cannot determine whether they will have a material adverse effect on the Group's business, results of operations, financial condition, and cash flows.

Capital commitments

Capital commitments for construction of property and purchase of property, plant and equipment were \$49,965 as of June 30, 2024.

Purchase Commitments

Purchase commitments for non-cancelable contractual obligations primarily related to purchases of inventory were \$45,952 as of June 30, 2024.

Pledged assets

Other than those disclosed in Note 8, the Group may pledge certain assets to banks to secure the issuance of bank acceptance notes for the Group. As of June 30, 2024, notes receivable from customers in the amount of \$1,489, together with certain of our machinery and equipment with a carrying value of \$25,772 has been pledged to secure the issuance of such notes.

Liens and Notices of Non-payment

As of June 30, 2024, the Company had received \$35,986 of liens and \$2,410 of notices of non-payment.

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NOTE 18. SUBSEQUENT EVENTS

Subsequent funding activities

In July 2024, the Company received the Delayed Draw Term Loan under the Loan Agreement of \$13,000.

Subsequent settlement agreements with creditors

Subsequent to June 30, 2024 and to the date of issuance of the financial statements, the Group has entered into several settlement agreements with certain suppliers with payables amounting to approximately \$21,338 as of June 30, 2024. Those agreements grant the Group a concession by forgiving certain contractually owed amounts and release some liens, as well as allow the Group to defer certain payment schedules. Based on those subsequent settlement agreements, a total payable concession of approximately \$6,573 was obtained, liens of approximately \$10,610 will be ultimately released and the payment schedules were generally deferred to monthly installments in the next twelve months. The Group is in the process of assessing the related accounting impact.

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

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

Business

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

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

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

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

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

Since 2009, when we launched our first ultra-fast battery system, we have sold and delivered approximately 5,142.4 megawatt hours ("MWh") of battery systems for electric vehicles. Our revenue for the three months ended June 30, 2024, increased \$8.7 million to \$83.7 million, a 12% increase compared to the same period ended June 30, 2023. As of June 30, 2024, we had an order backlog of approximately \$278.6 million for our battery systems for electric vehicles (the equivalent of approximately 1,257.1 MWh), over 63% of which is attributable to Europe and the U.S. We expect to fulfill a majority of our electric vehicle battery backlog within 2024 and 2025.

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

We originally intended to produce 53.5Ah cells from our Clarksville, Tennessee facility for our ESS and EV product and had made significant investments in our capacity expansion there. However, due to market demand, regulation policies, our competitors lowering their selling prices, we now believe lithium iron phosphate ("LFP") cells are a better battery fit for our ESS solutions and intend to produce LFP cells from the Tennessee facility instead of 53.5Ah cells. As such, we expect that all our production of 53.5Ah cells will be from our facilities in China, and in the United States we will focus on LFP production for our energy storage solutions to customers worldwide. We believe this strategic shift towards LFP technology in the U.S. leverages cost benefits, safety features, regulatory compliance, and lower environmental impact for the following reasons:

Production and Application Suitability. While NMC batteries provide high energy density and performance suitable for electric vehicles, we believe these characteristics are less critical for energy storage systems. LFP batteries, in contrast, offer performance parameters that align well with ESS requirements due to their stability and durability over longer discharge periods.

Cost Efficiency and Resource Utilization. LFP batteries are generally 20-40% less expensive per kilowatt-hour compared to NMC batteries. We believe this cost advantage, coupled with the reduced reliance on scarce minerals such as cobalt, makes LFP an economically and environmentally preferable choice for ESS. The extended lifecycle of our LFP batteries enhances their cost-effectiveness over prolonged operational durations, presenting a compelling value proposition for large-scale energy storage applications.

Reliability Enhancements. LFP batteries demonstrate better structural stability and higher thermal thresholds, reducing risks associated with overheating and thermal runaway. Our proprietary technology, which incorporates nitrogen protection systems within our ESS containers, further enhances the reliability profile of our ESS solutions, demonstrating our dedication to risk mitigation in the energy storage sector.

Tax Incentives. Our domestically produced LFP batteries and energy storage containers are expected to qualify with U.S. domestic content requirements and qualify for the Inflation Reduction Act Section 45X energy efficiency incentives, thereby enhancing the economic viability of our ESS solutions.

Environmental Impact. LFP batteries do not contain cobalt, which is often associated with significant environmental degradation and ethical concerns related to its mining practices. This attribute underscores our commitment to environmental sustainability and positions LFP batteries as a more eco-friendly option in the energy storage market.

While we believe these advantages make LFP batteries better suited for meeting the current and future demands of our ESS solutions, we are in the early stages of exploring this new product which is currently in the pilot stage in China. We can provide no assurance as to whether and when our LFP product will become available, when our Clarksville, Tennessee facility will be completed, or if our LFP batteries will ever be marketable. The lithium-based battery market is highly competitive and there can be no assurance that the use of our LFP product or ESS solutions will gain market acceptance. Additionally, we might encounter practical difficulties and may incur additional costs during the scale-up of our LFP operations.

Completion of the Business Combination

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

Going Concern

In accordance with Accounting Standards Codification ("ASC") Topic 205-40, Going Concern, we evaluate whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern. This evaluation includes considerations related to our liquidity resource. Given the uncertainties around our liquidity as described in Note 3 to the unaudited condensed consolidated financial statements of this Quarterly Report and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we have concluded that there is substantial doubt about our ability to continue as a going concern for at least one year from the date of issuance of the unaudited consolidated financial statements included elsewhere in this Quarterly Report. For more information, see Note 3 to the unaudited consolidated financial statements of this Quarterly Report and the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2023 *"There is substantial doubt regarding our ability to continue as a going concern" and "We may be unable to meet our current capital requirements and will require additional capital to meet our outstanding accounts payable and current liabilities"*.

Key Factors Affecting Our Performance

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

Technology and Product Innovation

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

Market Demand

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

Manufacturing Capacity

Our growth depends on being able to meet anticipated demand for our products. As of June 30, 2024, we had a backlog of approximately \$278.6 million for our electric vehicles battery systems, equivalent to approximately 1,257.1 MWh. To increase our manufacturing output, address our backlog and capture growing market opportunities, we have made significant investment in capacity expansions in both Huzhou, China and Tennessee, United States.

In the third quarter of 2023, we successfully completed the 2 GWh cell, module and tray capacity expansion for our 53.5Ah cell technology in Huzhou, China which is now in operation and generating revenue from sales of electric battery systems.

The Tennessee expansion was originally scheduled to be completed in the fourth quarter of 2023 and was intended for production of 53.5Ah cells for our ESS solutions. However, we now believe LFP cells are a better battery fit for our ESS solutions and intend to produce LFP cells from the Tennessee facility instead of 53.5Ah cells. As such, we expect that all our production of 53.5Ah cells will be from our facilities in China, and in the United States we will focus on LFP production for our energy storage solutions to customers worldwide. Additionally, our ESS products previously assembled in Colorado are now planned to be assembled at our Tennessee facility. In order to complete the Tennessee expansion, we need to secure financing to meet the remaining capital expenditure needs, and the timing of when this project will be in operation remains uncertain. We are in the process of evaluating the amount of capital expenditures needed to complete the Tennessee expansion in light of the intended production shift from NMC cells to LFP cells.

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

Sales Geographic Mix

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

Manufacturing Costs

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

Regulatory Landscape

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

Basis of Presentation

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

Components of Results of Operations

Revenues

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

(In thousands)	Three Months Ended June 30,			
	2023		2024	
	Amt	%	Amt	%
People's Republic of China ("PRC")	\$ 46,122	62 %	\$ 33,282	40 %
Other Asia & Pacific countries	18,520	24 %	2,371	3 %
Asia & Pacific	64,642	86 %	35,653	43 %
Europe	9,337	13 %	46,745	55 %
U.S.	974	1 %	1,277	2 %
Total	\$ 74,953	100 %	\$ 83,675	100 %

(In thousands)	Six Months Ended June 30,			
	2023		2024	
	Amt	%	Amt	%
People's Republic of China ("PRC")	\$ 78,734	65 %	\$ 60,474	36 %
Other Asia & Pacific countries	21,669	17 %	25,665	16 %
Asia & Pacific	100,403	82 %	86,139	52 %
Europe	19,522	16 %	75,666	46 %
U.S.	2,001	2 %	3,221	2 %
Total	\$ 121,926	100 %	\$ 165,026	100 %

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

	Three Months Ended June 30,	
	2023	2024
A	13 %	15 %
B	20 %	*%
C	*%	41 %

	Six Months Ended June 30,	
	2023	2024
A	*%	12 %
B	13 %	*%
C	13 %	37 %
D	12 %	*%
E	*%	11 %

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

Cost of Revenues and Gross Profit

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

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

Operating Expenses

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

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

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

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

Subsidy Income

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

Other Income and Expenses

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

Income Tax Expense

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

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

Results of Operations

Comparison of the Three Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

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

	Three Months Ended June 30,		\$	%
	2023	2024	Change	Change
	(As Restated)			
<i>Amount in thousands</i>				
Revenues	\$ 74,953	\$ 83,675	\$ 8,722	11.6 %
Cost of revenues	(63,492)	(56,480)	7,012	(11.0)%
Gross profit	11,461	27,195	15,734	137.3 %
	15.3 %	32.5 %		
Operating expenses:				
General and administrative expenses	(23,509)	(23,511)	(2)	— %
Research and development expenses	(9,507)	(10,107)	(600)	6.3 %
Selling and marketing expenses	(5,897)	(5,026)	871	(14.8)%
Impairment loss of long-lived assets	(51)	(88,027)	(87,976)	172502.0 %
Total operating expenses	(38,964)	(126,671)	(87,707)	225.1 %
Subsidy income	637	735	98	15.4 %
Operating loss	(26,866)	(98,741)	(71,875)	267.5 %
Other income and expenses:				
Interest income	1,518	246	(1,272)	(83.8)%
Interest expense	(487)	(2,094)	(1,607)	330.0 %
Changes in fair value of warrant and convertible loan	—	(1,568)	(1,568)	100.0 %
Other (expense) income, net	(243)	601	844	(347.3)%
Loss before income tax	(26,078)	(101,556)	(75,478)	289.4 %
Income tax expense	—	—	—	— %
Net loss	\$ (26,078)	\$ (101,556)	\$ (75,478)	289.4 %
Less: net income attributable to noncontrolling interests	11	—	(11)	(100.0)%
Net loss attributable to Microvast Holdings, Inc.'s shareholders	\$ (26,089)	\$ (101,556)	\$ (75,467)	289.3 %

Revenues

Our revenues increased from approximately \$75.0 million for the three months ended June 30, 2023 to approximately \$83.7 million for the same period in 2024, primarily driven by an increase in sales volume from approximately 270.2 MWh for three months ended June 30, 2023 to approximately 301.7 MWh for the same period in 2024.

Cost of Revenues and Gross Profit

Our cost of revenues for the three months ended June 30, 2024 decreased by \$7.0 million, or 11.0%, compared to the same period in 2023. The decrease in the cost of revenues was primarily due to the decrease in raw material prices.

Our gross margin increased from 15.3% for the three months ended June 30, 2023 to 32.5% for the same period in 2024. The increase in gross margin was due to a combination of factors including better economies of scale through improving utilization, more favorable product mix and lower raw material prices.

Operating Expenses

Selling and Marketing

Selling and Marketing expenses for the three months ended June 30, 2024 were stable compared to the same period in 2023.

General and Administrative

General and Administrative expenses for the three months ended June 30, 2024 were stable compared to the same period in 2023.

Research and Development

R&D expenses for the three months ended June 30, 2024 were stable compared to the same period in 2023.

Impairment loss of long-lived assets

The impairment loss of long-lived assets for the three months ended June 30, 2024, was driven by a \$88.0 million impairment loss in our U.S. operations. During this period, we initiated a strategic shift towards LFP technology in the U.S., and we decided to pause the construction of our Clarksville Property until additional funding for the remaining capital expenditure is secured. As a result of these events and circumstances in the second quarter, we conducted impairment testing for our long-lived assets in the U.S. and recognized an impairment loss of \$88.0 million.

Changes in fair value of warrant and convertible loan

For the three-month period ended June 30, 2024, we recorded a loss of \$1.6 million mainly due to the change in fair value of convertible loan with shareholder of \$1.6 million, details please see Note 15 – Convertible loan with shareholder.

Comparison of the Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

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

	Six Months Ended June 30,		\$	%
	2023	2024	Change	Change
	(As Restated)			
<i>Amount in thousands</i>				
Revenues	\$ 121,926	\$ 165,026	\$ 43,100	35.3 %
Cost of revenues	(105,607)	(120,606)	(14,999)	14.2 %
Gross profit	16,319	44,420	28,101	172.2 %
	13.4 %	26.9 %		
Operating expenses:				
General and administrative expenses	(43,894)	(47,305)	(3,411)	7.8 %
Research and development expenses	(20,368)	(21,599)	(1,231)	6.0 %
Selling and marketing expenses	(10,885)	(10,617)	268	(2.5)%
Impairment loss of long-lived assets	(51)	(88,027)	(87,976)	172502.0 %
Total operating expenses	(75,198)	(167,548)	(92,350)	122.8 %
Subsidy income	714	1,269	555	77.7 %
Operating loss	(58,165)	(121,859)	(63,694)	109.5 %
Other income and expenses:				
Interest income	2,899	365	(2,534)	(87.4)%
Interest expense	(946)	(3,826)	(2,880)	304.4 %
Changes in fair value of warrant and convertible loan	17	(1,526)	(1,543)	(9076.5)%
Other income, net	546	465	(81)	(14.8)%
Loss before income tax	(55,649)	(126,381)	(70,732)	127.1 %
Income tax expense	—	—	—	— %
Net loss	\$ (55,649)	\$ (126,381)	\$ (70,732)	127.1 %
Less: net income attributable to noncontrolling interests	21	—	(21)	(100.0)%
Net loss attributable to Microvast Holdings, Inc.'s shareholders	\$ (55,670)	\$ (126,381)	\$ (70,711)	127.0 %

Revenues

Our revenues increased from approximately \$121.9 million for the six months ended June 30, 2023 to approximately \$165.0 million for the same period in 2024, primarily driven by an increase in sales volume from approximately 402.8 MWh for six months ended June 30, 2023 to approximately 654.9 MWh for the same period in 2024.

Cost of Revenues and Gross Profit

Our cost of revenues for the six months ended June 30, 2024 increased by \$15.0 million, or 14.2%, compared to the same period in 2023. The increase in the cost of revenues was primarily in line with the increased sales, partially offset by \$0.4 million of decreased share-based compensation expenses.

Our gross margin increased from 13.4% for the six months ended June 30, 2023 to 26.9% for the same period in 2024. The increase in gross margin was due to a combination of factors including better economies of scale, more favorable product mix and lower raw material prices.

Operating Expenses

Selling and Marketing

Selling and Marketing expenses for the six months ended June 30, 2024 were stable compared to the same period in 2023.

General and Administrative

General and Administrative expenses for the six months ended June 30, 2024 increased by \$3.4 million, or 7.8%, compared to the same period in 2023. The increase in General and Administrative expenses was primarily due to \$2.4 million of increased personnel-related expense, \$5.6 million of increased professional fee and insurance fee, \$0.9 million of increased depreciation and amortization, \$1.6 million of increased credit loss, \$1.3 million of increased exchange loss and other increases related to business expansion, offset by \$8.8 million of decreased share-based compensation expenses.

Research and Development

R&D expenses for the six months ended June 30, 2024 increased by \$1.2 million, or 6.0%, compared to the same period in 2023. The increase in R&D expenses was primarily due to \$1.6 million of increased personnel-related expenses as we increased headcount of our research team as a result of our efforts to further develop and enhance our products and other increases related to business expansion, offset by \$1.4 million of decreased share-based compensation expenses.

Impairment loss of long-lived assets

The impairment loss of long-lived assets for the six months ended June 30, 2024, was driven by a \$88.0 million impairment loss in our U.S. operations. During this period, we initiated a strategic shift towards LFP technology in the U.S., and we decided to pause the construction of our Clarksville Property until additional funding for the remaining capital expenditure is secured. As a result of these events and circumstances in the second quarter, we conducted impairment testing for our long-lived assets in the U.S. and recognized an impairment loss of \$88.0 million.

Changes in fair value of warrant and convertible loan

For the six-month period ended June 30, 2024, we recorded a loss of \$1.5 million mainly due to the change in fair value of convertible loan with shareholder of \$1.6 million, details please see Note 15 – Convertible loan with shareholder.

Liquidity and Capital Resources

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

The consolidated net cash position as of June 30, 2024 included cash and cash equivalents of \$43.9 million and \$13.8 million held by our PRC and European subsidiaries, respectively, that is not available to fund our U.S. operations unless funds are repatriated. Should we need to repatriate to the U.S. part or all of the funds held by our international subsidiaries in the form of a dividend, we would need to accrue and pay withholding taxes. We do not intend to pay any cash dividends on our common stock in the foreseeable future and intend to retain all of the available funds and any future earnings for use in the operation and expansion of our business in the PRC, Europe and the U.S.

In accordance with Accounting Standards Update ("ASU") No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)," management has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date of the unaudited condensed consolidated financial statements are issued and has determined that the Company's ability to continue as a going concern is dependent on its ability to raise additional capital or secure financing. In light of the capital expenditures required to settle the outstanding payables associated with the Group's Tennessee expansion and operating requirements under its current business plan, the Company is projecting that its existing cash and cash equivalents will not be sufficient to fund its operations and capital expenditure needs through the next twelve months from the date of issuance of its unaudited condensed consolidated financial statements. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

As of the date of issuance of the financial statements, we have secured the following cash flow and liquidity improvement initiatives:

Loan with Mr. Yang Wu

Pursuant to the \$25.0 million loan agreement dated May 28, 2024 with Mr. Yang Wu, the Company's Chief Executive Officer and Chairman, we have received the first tranche of \$12.0 million in May 2024 and the second tranche of \$13.0 million in July 2024.

Labor reduction in the U.S.

We have reduced the number of employees in the U.S. by 82% during the quarter ended June 30, 2024, which will significantly reduce its operating expenditure, ultimately improving its liquidity.

Bank Loans

As of June 30, 2024, our principal sources of liquidity were our cash and cash equivalents and restricted cash in the amount of \$104.5 million. We are currently working with our banks in China to extend the drawdown date on the \$42.7 million (RMB300 million) that is undrawn under our RMB800 million project finance facility for the construction of our Huzhou capacity expansions.

Disposal of non-core US real estate assets

We have engaged agents to sell certain US real estate assets that are not integral to our cell manufacturing or assembly operations.

In addition to the above, the Company is engaged in discussions with third parties to assess strategic alternatives, including ways to enhance our liquidity and/or the sale or disposal of certain US real estate assets that are not integral to the our cell manufacturing or assembly operations. These plans are not final and are subject to market and other conditions not within our control. As such, there can be no assurance that we will be successful in obtaining sufficient capital. Accordingly, management has concluded under the accounting standards that these plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. Should sufficient capital not be secured through the plans, or should there be a delay in the timing of securing capital through these alternatives, this would have adverse implications for the Company and our shareholders. In these scenarios, we will need to seek other options, including delaying or reducing operating and capital expenditure and the possibility of an alternative transaction.

Financings

As of June 30, 2024, we had bank borrowings of \$94.2 million, the terms of which range from 2 to 30 months. The interest rates on our bank borrowings ranged from 3.30% to 4.85% per annum. As of June 30, 2024, we had convertible bonds outstanding of \$43.2 million, with interest rates ranging from 3% to 4%. The convertible bonds are all due in 2027. As of June 30, 2024, we also had the Convertible loan with shareholder of \$13.3 million outstanding at an initial interest rate equal to Term SOFR for the applicable interest period, plus an initial applicable margin of 9.75% per annum, 3.75% of which shall be paid in kind and added to the outstanding principal under the Convertible loan with shareholder, with the remaining interest to be paid in cash. See Note 15 for details. As of June 30, 2024, we were in compliance with all material terms and covenants of our loan agreements, credit agreements and bonds.

On July 23, 2021, we received \$708.4 million from the completion of the Business Combination, \$705.1 million net of transaction costs paid by Microvast, Inc. We have used \$438.8 million of the net proceeds from the Business Combination to expand our manufacturing facilities and for the purchase of property and equipment associated with our existing manufacturing and R&D facilities. In addition, \$143.9 million of the net proceeds were used for working capital as of June 30, 2024.

Capital expenditures and other contractual obligations

Our capital expenditures amounted to \$150.9 million and \$186.8 million for the years ended December 31, 2022 and 2023, respectively. Our capital expenditures in 2022 and 2023 related primarily to the construction of manufacturing facilities in Huzhou, China and Clarksville, Tennessee. The Huzhou, China expansion was completed in the third quarter of 2023.

Because of delays in securing additional financing, including our fund-raising process being negatively impacted by the loss of the DOE grant, in the fourth quarter of 2023 we experienced slow progress in continuing construction of our Clarksville, Tennessee expansion, slowing down certain project work streams due to the need for additional financing. This resulted in further delays and increased costs with negative effects on our liquidity and ability to meet accounts payable,

especially for our U.S. operations. The Tennessee expansion was originally scheduled to be completed in the fourth quarter of 2023 and was intended for production of 53.5Ah cells for our ESS solutions. However, we now believe LFP cells are a better battery fit for our ESS solutions and intend to produce LFP cells from the Tennessee facility instead of 53.5Ah cells. In order to complete the Tennessee expansion, we need to secure financing to meet the remaining capital expenditure needs, and the timing of when this project will be in operation remains uncertain. We are in the process of evaluating the amount of capital expenditures needed to complete the Tennessee expansion in light of the intended production shift from NMC cells to LFP cells.

Further, due to the working capital needs of MPS China and adverse tax consequences as well as foreign restrictions, we are unable to repatriate cash from China to pay our accounts payable in the U.S. and fund the continued expansion of our U.S. operations. We are in discussions with third parties to assess strategic alternatives, including ways to enhance our liquidity and/or the sale or disposal of certain US real estate assets that are not integral to the our cell manufacturing or assembly operations. Until financing is in place, this will limit our growth opportunities especially in the U.S. market. Also, we will be forgoing potential Inflation Reduction Act credits until such time as the Clarksville, Tennessee expansion is in operation.

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

Lease Commitments

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

Purchase Commitments

We regularly enter into non-cancelable contractual obligations primarily related to purchases of inventory. As of June 30, 2024, such purchase commitments, which do not qualify for recognition on our Unaudited Condensed Consolidated Balance Sheets, amount to \$46.0 million, most of which is short-term.

There have not been any other material changes during the three and six months ended June 30, 2024 to our contractual obligations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Cash Flows

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

	Six Months Ended June 30,	
	2023	2024
<i>Amount in thousands</i>		
Net cash (used in) generated from operating activities	(41,008)	2,142
Net cash used in investing activities	(93,401)	(7,442)
Net cash generated from financing activities	5,293	28,488

Cash Flows from Operating Activities

During the six months ended June 30, 2024, our operating activities generated \$2.1 million in cash. This increase in cash consisted of (1) a net loss of \$126.4 million and non-cash charges of \$139.6 million, of which \$14.9 million is depreciation of property, plant and equipment, \$24.0 million is non-cash share-based compensation expense and \$88.0 million is impairment loss from long-lived asset; and (2) a \$11.1 million decrease in cash flows from operating assets and liabilities including \$39.9 million cash inflow due to the net decrease of accounts receivable and notes receivable, \$1.5 million increase in inventories, \$44.1 million cash outflow from accounts payable and notes payable, \$3.9 million

cash outflow from accrued and other liabilities and prepaid expense and other current asset, and \$1.5 million cash outflow from other operating assets and liabilities.

Cash Flows from Investing Activities

During the six months ended June 30, 2024, cash used in investing activities totaled \$7.4 million. This cash outflow primarily consisted of capital expenditures related to the expansion of our manufacturing facilities and to the purchase of property and equipment associated with our existing manufacturing and R&D facilities.

Cash Flows from Financing Activities

During the six months ended June 30, 2024, cash generated from financing activities totaled \$28.5 million. This cash inflow was a result of \$40.5 million proceeds from bank borrowings and \$12.0 million proceeds from Convertible loan offset by \$23.5 million repayment on bank borrowings and \$0.5 million of debt cost for Convertible loan.

Critical Accounting Policies and Estimates

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

There have been no substantial changes to these estimates, or the policies related to them during the six months ended June 30, 2024, except for the impairment of long-lived assets illustrated in below paragraphs. For other discussion of these estimates and policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023.

In accordance with ASC 360, Property, Plant, and Equipment (“ASC 360”), we evaluate our long-lived assets, such as property and equipment, for impairment whenever events and circumstances indicate that the assets might be impaired due to the carrying amount of an asset group not being recoverable. When the projected undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, the assets are adjusted to their estimated fair value and an impairment loss is recorded as a component of operating expenses. For assets held for sales, the amount of potential impairment may be based upon appraisal of the asset, estimated market value of similar assets or estimated cash flow from the disposition of the asset. The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

During the three months ended June 30, 2024, we decided to pause the construction of the Clarksville Property until additional funding for the remaining capital expenditure is secured. As a result, we reassessed the recoverability of the long-lived assets in the U.S. and utilized the residual method to estimate the fair value of the plant under construction located in Tennessee. For other long-lived assets in the U.S. to be dispose, we estimated market value or estimated cash flow from disposition of the assets. As a result of the assessment, we recorded impairment loss of long-lived assets \$0.1 million and \$88.0 million for the three and six months ended June 30, 2023 and 2024, respectively, in operating expenses.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Exposure Risk

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

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash equivalents have a short maturity, our portfolio’s fair value is relatively

insensitive to interest rate changes. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

Foreign Currency Exchange Risk

We have a large operational presence in China and a significant amount of our transactions are currently denominated in RMB. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our operating results as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances, and intercompany balances that are denominated in currencies other than the U.S. Dollar, principally RMB. The effect of an immediate 10% adverse change in foreign exchange rates on Renminbi-denominated accounts as of June 30, 2024, including intercompany balances, would result in a foreign currency loss of \$13.4 million. In the event our foreign sales and expenses increase, our operating results may be more affected by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Credit Risk

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

The assumptions used in evaluating our exposure to credit losses associated with our financing receivables portfolio involve estimates and significant judgment. Holding other estimates constant, a hypothetical 100 basis points increase in the expected loss rate on the financing receivables portfolio would have resulted in an increase in the allowance for credit losses of approximately \$0.6 million as of June 30, 2024.

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

Seasonality

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2024, as a result of the material weaknesses in the Company's internal controls over financial reporting identified below. As defined in the standards established by the Public Company Accounting Oversight Board, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In light of these material weaknesses, we performed additional procedures and analysis to ensure that the financial statements included in this Report were prepared in accordance with U.S. GAAP. Based on these procedures, management, including our Chief Executive Officer and Chief Financial Officer, believes the unaudited condensed consolidated financial statements included in this Amendment fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Material Weakness in Internal Controls

Impairment Assessment of Long-lived Assets

In connection with the Restatement, we identified a material weakness in our internal control over financial reporting related to the absence of a precise review on impairment provision calculation as of June 30, 2024. Specifically, with respect to the Clarksville Facility, there was no sufficient review on the calculation of the assets groups carrying value, and there was no reconciliation between individual assets within the assets group and the valuation scope of external valuer. This control deficiency resulted in a misstatement of the impairment charge initially recorded in Q2 2024.

IT General Controls

In connection with the audit of the financial year ended December 31, 2023, we identified certain control deficiencies in the design and operation of our internal controls over our financial reporting that constituted a material weakness in aggregation. The material weakness that has been identified relates to the design and implementation of IT general controls for IT system that are relevant to the preparation of the financial statements. Specifically, we did not design and maintain adequate user access controls to restrict user and privileged access to certain particular function of the ERP during the implementation, which could allow a skilled user with privileged access to access and potentially make changes to the system relevant to the preparation of the financial statements.

Material Weakness Remediation

Impairment Assessment of Long-lived Assets

We were required to become SOX compliant as of December 31, 2024, and during the year we were in the process of designing and implementing appropriate SOX controls. As part of this process, during the fourth quarter of 2024, we strengthened controls over impairment assessment of long-lived assets by:

- Conducting a precise review of the calculation of the carrying value of the assets group used in the impairment assessment; and
- Reconciling the individual assets included in the assets group carrying value calculation to the valuation scope.

By implementing above controls effectively during the year-end closing process, we were able to identify the misstatement of impairment and have taken prompt action to amend the previously issued financial statements. We believe this material weakness identified as we implemented our SOX controls has been remediated for the period ended December 31, 2024.

IT General Controls

Subsequent to the identification of the material weakness, we have taken steps to address the control deficiencies and implemented our remediation plan, which we believe addresses the underlying causes. We are executing on our remediation plan for the material weakness by removing all inappropriate access and establishing more robust processes to control the privileged access to our system including monthly review of the system log for any inappropriate access. While we believe these efforts have improved, and will continue to improve, our internal controls and address the underlying causes of the material weakness, the material weakness will not be remediated until our remediation plan has been fully implemented and tested and we have concluded that following the improvements, our IT general controls are operating effectively for a sufficient period of time.

Changes in Internal Control Over Financial Reporting

As described above, the Company is taking steps to remediate the material weakness noted above. Other than in connection with these remediation steps, there have been no changes in our internal control over financial reporting during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our pending legal proceedings, please see Note 17. Commitments and Contingencies, to the consolidated financial statements included elsewhere in this Quarterly Report. While the lawsuits are being vigorously defended, the outcome of any litigation is inherently uncertain, and there is always the possibility that a court rules in a manner that is adverse to the interests of the Company and the individual defendants. However, the amount of any such loss in that scenario cannot be reasonably estimated at this time. Regardless of the outcome, litigation has the potential to have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

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

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

There were no unregistered sales of our equity securities during the three months ended June 30, 2024.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.

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

Exhibit Number	Exhibit Title
2.1+	Agreement and Plan of Merger, dated as of February 1, 2021, by and among Tuscan Holdings Corp., TSCN Merger Sub Inc., and Microvast, Inc. (incorporated by reference to the Company's definitive proxy statement on Schedule 14A, filed with the SEC on July 2, 2021).
3.1	Second Amended and Restated Certificate of Incorporation of Microvast Holdings, Inc. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
3.2	Amended and Restated Bylaws of Microvast Holdings, Inc. (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.1	Specimen Common Stock Certificate (incorporated by reference from Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.2	Specimen Warrant Certificate (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.3	Warrant Agreement (incorporated by reference from Exhibit 4.4 to the Company's Registration Statement on Form S-1, filed with the Company on February 26, 2019).
4.4	Registration Rights and Lock-Up Agreement, dated as of July 26, 2021, by and among (a) Microvast Holdings, Inc., (b) the Microvast Equity Holders, (c) the CL Holders, (d) Tuscan Holdings Acquisition LLC, Stefan M. Selig, Richard O. Rieger and Amy Butte, and (e) EarlyBirdCapital, Inc. (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.5	Stockholders Agreement, dated July 26, 2021, by and among (a) Microvast Holdings, Inc., (b) Yang Wu and (c) Tuscan Holdings Acquisition LLC. (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.6	Common Stock Purchase Warrant, dated May 28, 2024, issued by the Company to Yang Wu (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2024).
10.1	Loan and Security Agreement, dated May 28, 2024, by and among the Company, Microvast, Inc., and the Company's subsidiaries party thereto and Yang Wu, and Acquiom Agency Services LLC (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2024).
10.2	Pledge Agreement, dated May 28, 2024, by and among the Company, Microvast, Inc., and the Company's subsidiaries party thereto and Acquiom Agency Services LLC (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2024).
10.3	Guaranty Agreement, dated May 28, 2024, by and among the Company, Microvast, Inc., and the Company's subsidiaries party thereto and Acquiom Agency Services LLC (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2024).
10.4	Offer Letter, dated June 28, 2024, by and between the Company and Yaser Ali (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 5, 2024).
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished.

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

SIGNATURE

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

Dated: March 31, 2025

MICROVAST HOLDINGS, INC.

By: /s/ Fariyal Khanbabi

Name: Fariyal Khanbabi

Title: Chief Financial Officer

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

I, Yang Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2024 of Microvast Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2025

By: /s/ Yang Wu

Name: Yang Wu

Title: Chief Executive Officer and Director
(Principal Executive Officer)

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

I, Fariyal Khanbabi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2024 of Microvast Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2025

By: /s/ Fariyal Khanbabi

Name: Fariyal Khanbabi

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Microvast Holdings, Inc. (the “Company”) on Form 10-Q/A for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yang Wu, Chief Executive Officer and Director, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

/s/ Yang Wu

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

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

In connection with the Quarterly Report of Microvast Holdings, Inc. (the “Company”) on Form 10-Q/A for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Fariyal Khanbabi, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

/s/ Fariyal Khanbabi

Name: Fariyal Khanbabi
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)