UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: **March 31, 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: 001-38544

CENNTRO INC.

(Exact name of registrant as specified in its charter)

Australia	**N/A**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

501 Okerson Road

Freehold, New Jersey 07728

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code **(732) 820-6757**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class:	**Trading Symbol(s)**	Name of each exchange on which registered:
Common Stock	**CENN**	**The Nasdaq Capital Market**

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

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

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

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 ☒

The registrant had 30,828,795 of the registrant's common stock per value $0.0001 per share, issued and outstanding as of May 14, 2024.

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Forward-Looking Statements

This Quarterly Report of Cenntro Inc. (“we,” “us,” “our,” “Cenntro” and the “Company”) contains statements that constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical facts may be deemed to be forward-looking statements. These statements appear in several different places in this Quarterly Report and, in some cases, can be identified by words such as “anticipates”, “estimates”, “projects”, “expects”, “contemplates”, “intends”, “believes”, “plans”, “may”, “will” or their negatives or other comparable words, although not all forward-looking statements contain these identifying words. Forward-looking statements in this Quarterly Report may include, but are not limited to, statements and/or information related to: our financial performance and projections; our business prospects and opportunities; our business strategy and future operations; the projection of timing and delivery of products in the future; projected costs; expected production capacity; expectations regarding demand and acceptance of our products; estimated costs of machinery to equip a new production facility; trends in the market in which we operate; the plans and objectives of management; our liquidity and capital requirements, including cash flows and uses of cash; trends relating to our industry; plans relating to our electric vehicles (“EVs”); and plans and intentions to regain compliance with the listing requirements of The Nasdaq Stock Market LLC (“Nasdaq”), including, among other things, through a reverse stock split.

We have based these forward-looking statements on our current expectations about future events on information that is available as of the date of this Quarterly Report, and any forward-looking statements made by us speak only as of the date on which they are made. While we believe these expectations are reasonable, such forward-looking statements are inherently subject to risks and uncertainties, many of which are beyond our control. Our actual future results may differ materially from those discussed or implied in our forward-looking statements for various reasons, including, our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; our capital needs, and the competitive environment of our business. Additional Factors that could contribute to such differences include, but are not limited to:

- general economic and business conditions, including changes in interest rates;
- prices of other EVs, costs associated with manufacturing EVs and other economic conditions;
- the effect of an outbreak of disease or similar public health threat, such as the COVID-19 pandemic, on the Company’s business (natural phenomena, including the lingering effects of the COVID-19 pandemic);
- the impact of political unrest, natural disasters or other crises, terrorist acts, acts of war and/or military operations, and our ability to maintain or broaden our business relationships and develop new relationships with strategic alliances, suppliers, customers, distributors or otherwise;
- breaches in data security, failure of information security systems, cyber-attacks or other security or privacy-related incidents affecting us or our suppliers;
- the ability of our information technology systems or information security systems to operate effectively;
- actions by government authorities, including changes in government regulation;
- uncertainties associated with legal proceedings;
- changes in the size of the EV market;
- future decisions by management in response to changing conditions;
- the Company’s ability to execute prospective business plans;
- misjudgments in the course of preparing forward-looking statements;
- the Company’s ability to raise sufficient funds to carry out its proposed business plan;
- inability to keep up with advances in EV and battery technology;
- inability to design, develop, market and sell new EVs and services that address additional market opportunities to generate revenue and positive cash flows;
- dependency on certain key personnel and any inability to retain and attract qualified personnel;
- inexperience in mass-producing EVs;
- inability to succeed in establishing, maintaining and strengthening the Cenntro brand;
- disruption of supply or shortage of raw materials;
- the unavailability, reduction or elimination of government and economic incentives;
- failure to manage future growth effectively; and
- the other risks and uncertainties detailed from time to time in our filings with the Security and Exchange Commission (“SEC”), including but not limited to those described under “Risk Factors” in Part I, Item 1A of the Company’s Annual Report on Form 10-K as amended for the year ended December 31, 2023, filed with the SEC on April 1, 2023 (the “Form 10-K”).

Although management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. These cautionary remarks expressly qualify, in their entirety, all forward-looking statements attributable to our Company or persons acting on our Company’s behalf. We do not undertake to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements, except as, and to the extent required by, applicable securities laws.

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PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CENNTRO INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in U.S. dollars, except for number of shares)

	Note	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Net revenues	2(d)	$ 3,391,999	$ 3,470,544
Cost of goods sold		(3,377,728)	(3,275,800)
Gross profit		14,271	194,744
OPERATING EXPENSES:			
Selling and marketing expenses		(1,316,763)	(1,868,985)
General and administrative expenses		(6,361,196)	(7,358,264)
Research and development expenses		(1,727,830)	(1,569,919)
Total operating expenses		(9,405,789)	(10,797,168)
Loss from operations		(9,391,518)	(10,602,424)
OTHER EXPENSE:			
Interest income (expense), net		73,242	(54,415)
(Loss) income from long-term investment		(13,520)	19,042
Impairment of long-term investment		-	(1,146,128)
Loss on redemption of convertible promissory notes		-	(2,001)
Loss on exercise of warrants		-	(212,870)
Change in fair value of convertible promissory notes and derivative liability		(705)	(126,273)
Change in fair value of equity securities		234,887	653,016
Foreign currency exchange loss, net		(359,217)	-
Gain from cross-currency swaps		5,933	-
Other income, net		190,643	358,076
Loss before income taxes		(9,260,255)	(11,113,977)
Income tax benefit	11	30,032	-
Net loss		(9,230,223)	(11,113,977)
Less: net loss attributable to non-controlling interests		(72)	(156,028)
Net loss attributable to the Company's shareholders		$ (9,230,151)	$ (10,957,949)
OTHER COMPREHENSIVE LOSS			
Foreign currency translation adjustment		(1,001,245)	337,278
Total comprehensive loss		(10,231,468)	(10,776,699)
Less: total comprehensive loss attributable to non-controlling interests		(144)	(180,595)
Total comprehensive loss to the Company's shareholders		$ (10,231,324)	$ (10,596,104)
Weighted average number of shares outstanding, basic and diluted *		30,828,794	30,309,574
Loss per share, basic and diluted		(0.30)	(0.36)

* On September 1, 2023 the Company held its annual general meeting of shareholders where among other proposals, the shareholders of the Company did approve the consolidation of the ordinary shares of the Company on a one-for-ten (1:10) basis with effect from December 8, 2023. The one-for-ten reverse stock split decreased the number of outstanding shares and increased net loss per common share. All per share and share amounts presented have been retroactively adjusted for the effect of this share consolidation for all periods presented.

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

CENNTRO INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. dollars, except for the number of shares)

	Note	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents		$ 20,255,568	$ 29,375,727
Restricted cash		329,185	196,170
Short-term investment	3	4,195,117	4,236,588
Accounts receivable, net	4	4,576,963	6,530,801
Inventories, net	5	43,768,940	43,909,564
Prepayment and other current assets	6	21,337,298	20,391,150
Amounts due from related parties - current	16	270,262	287,439
Total current assets		94,733,333	104,927,439
Non-current assets:			
Long-term investments	7	4,580,164	4,685,984
Investment in equity securities	8	25,819,920	26,158,474
Property, plant and equipment, net	9	20,195,719	20,401,521
Goodwill		218,019	223,494
Intangible assets, net	10	6,643,051	6,873,781
Right-of-use assets, net	12	18,711,452	20,039,625
Other non-current assets		2,133,839	2,227,672
Total non-current assets		78,302,164	80,610,551
Total Assets		$ 173,035,497	$ 185,537,990
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities:			
Accounts payable		$ 6,558,147	$ 6,797,852
Accrued expenses and other current liabilities		3,453,089	4,263,887
Contract liabilities		2,664,191	3,394,044
Operating lease liabilities, current	12	4,471,010	4,741,599
Convertible promissory notes	13	9,958,000	9,956,000
Contingent liabilities, current		26,015	26,669
Deferred government grant, current		106,904	108,717
Amounts due to related parties	16	-	10,468
Total current liabilities		27,237,356	29,299,236
Non-current liabilities:			
Contingent liabilities, non-current		224,427	230,063
Deferred tax liabilities		210,579	228,086
Deferred government grant, non-current		1,870,828	1,929,733
Derivative liability - investor warrant	13	12,188,515	12,189,508
Derivative liability - placement agent warrant	13	3,456,277	3,456,578
Operating lease liabilities, non-current	12	15,307,489	16,339,619
Total non-current liabilities		33,258,115	34,373,587
Total Liabilities		$ 60,495,471	$ 63,672,823
Commitments and contingencies	15		
EQUITY			
Ordinary shares (No par value; 30,828,795 and 30,828,778 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively)		-	-
Additional paid in capital		403,243,720	402,337,393
Accumulated deficit		(283,253,652)	(274,023,501)
Accumulated other comprehensive loss		(7,445,658)	(6,444,485)
Total equity attributable to shareholders		112,544,410	121,869,407
Non-controlling interests		(4,384)	(4,240)
Total Equity		$ 112,540,026	$ 121,865,167
Total Liabilities and Equity		$ 173,035,497	$ 185,537,990

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

CENNTRO INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in U.S. dollars, except for number of shares)

	Ordinary shares Shares *	Ordinary shares Amount	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity	Non-controlling interest	Total equity
Balance as of December 31, 2022	30,084,200	$ -	$ 397,497,817	$ (219,824,176)	$ (5,306,972)	$ 172,366,669	$ (477,135)	$ 171,889,534
Share-based compensation	-	-	1,153,808	-	-	1,153,808	-	1,153,808
Net loss	-	-	-	(10,957,949)	-	(10,957,949)	(156,028)	(11,113,977)
Acquisition of 35% of CAE's equity interests	-	-	(2,557,721)	-	-	(2,557,721)	657,730	(1,899,991)
Exercise of warrants	360,709	-	2,168,185	-	-	2,168,185	-	2,168,185
Foreign currency translation adjustment	-	-	-	-	361,845	361,845	(24,567)	337,278
Balance as of March 31, 2023	30,444,909	$ -	$ 398,262,089	$ (230,782,125)	$ (4,945,127)	$ 162,534,837	$ -	$ 162,534,837

	Ordinary shares Shares	Ordinary shares Amount	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity	Non-controlling interest	Total equity
Balance as of December 31, 2023	30,828,778	$ -	$ 402,337,393	$ (274,023,501)	$ (6,444,485)	$ 121,869,407	$ (4,240)	$ 121,865,167
Share-based compensation	-	-	906,327	-	-	906,327	-	906,327
Net loss	-	-	-	(9,230,151)	-	(9,230,151)	(72)	(9,230,223)
Fractional shares issued due to reverse stock split	17	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	(1,001,173)	(1,001,173)	(72)	(1,001,245)
Balance as of March 31, 2024	30,828,795	$ -	$ 403,243,720	$ (283,253,652)	$ (7,445,658)	$ 112,544,410	$ (4,384)	$ 112,540,026

* On September 1, 2023 the Company held its annual general meeting of shareholders where among other proposals, the shareholders of the Company did approve the consolidation of the ordinary shares of the Company on a one-for-ten (1:10) basis with effect from December 8, 2023. The one-for-ten reverse stock split decreased the number of outstanding shares and increased net loss per common share. All per share and share amounts presented have been retroactively adjusted for the effect of this share consolidation for all periods presented.

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

CENNTRO INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	$ (8,864,876)	$ (17,363,332)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equity investment	-	(622,917)
Purchase of property, plant and equipment	(327,589)	(2,577,292)
Purchase of land use right	-	(268,993)
Acquisition of CAE's equity interests	-	(1,924,557)
Cash dividend from long-term investment	55,645	-
Proceeds from disposal of property, plant and equipment	5,264	-
Loans provided to third parties	-	(100,000)
Proceeds from interest and redemption of equity securities	573,441	-
Net cash provided by (used in) investing activities	306,761	(5,493,759)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of convertible promissory notes	-	(39,583,321)
Net cash used in financing activities	-	(39,583,321)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(429,029)	283,806
Net decrease in cash, cash equivalents and restricted cash	(8,987,144)	(62,156,606)
Cash, cash equivalents and restricted cash at beginning of period	29,571,897	154,096,801
Cash, cash equivalents and restricted cash at end of period	$ 20,584,753	$ 91,940,195
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 130,500	$ -
Income tax paid	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cashless exercise of warrants	$ -	$ 2,168,185

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

CENNTRO INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES

Historical and principal activities

Cenntro Inc. was incorporated in the State of Nevada on March 9, 2023, under The Nevada Revised Statutes (the "NRS"). As a holding company with no material operations of its own, Cenntro Inc. conducts operations through its subsidiaries in the United States, Australia, Europe, Mexico, Hong Kong, the Dominican Republic, and in the People's Republic of China, which we refer to as the PRC or China.

Cenntro Automotive Group Limited ("CAG Cayman") was formed in the Cayman Islands on August 22, 2014. CAG Cayman was the former parent of Cenntro (as defined below), prior to the closing of the Combination (as defined below).

Cenntro Automotive Corporation ("CAC") was incorporated in the state of Delaware on March 22, 2013. CAC became CAG Cayman's wholly owned company on May 26, 2016. CAC's operations include corporate affairs, administrative, human resources, global marketing and sales, after-market support, homologation, and quality assurance. CAC also leases and operates facilities in Freehold, New Jersey, including the Company's corporate headquarters, and Jacksonville, Florida facility.

Cenntro Automotive Group Limited ("CAG HK") was established by CAG Cayman on February 15, 2016 in Hong Kong. CAG HK is a non-operating, investment holding company, which conducts business through its subsidiaries in mainland China and Hong Kong.

Cenntro Electric Group, Inc. ("CEG") was incorporated in the state of Delaware by CAG Cayman on March 9, 2020.

Cenntro Electric Group Limited ACN 619 054 938, formerly known as Naked Brand Group Limited ("NBG"), was incorporated in Australia on May 11, 2017, and is the parent company of Cenntro. NBG changed its name to Cenntro Electric Group Limited ("CEGL") on December 30, 2021, in connection with the closing of the Combination.

On March 25, 2022 and January 31, 2023, CEGL entered into Share Purchase Agreements to acquire 65% and 35% of the issued and outstanding shares in Cenntro Automotive Europe GmbH ("CAE"), formerly known as Tropos Motors Europe GmbH. For information of the Share Purchase Agreements, see Note 3 of this Annual Report, "Business Combination".

CAC, CEG and CAG HK and its consolidated subsidiaries are collectively known as "Cenntro"; Cenntro Inc., CEGL, Cenntro and its subsidiaries are collectively known as the "Company". The Company designs and manufactures purpose–built, electric commercial vehicles ("ECVs") used primarily in last mile delivery and industrial applications.

Reverse recapitalization

On December 30, 2021, the Company consummated a stock purchase transaction (the "Combination") pursuant to that certain stock purchase agreement, dated as of November 5, 2021 (the "Acquisition Agreement") by and among CEGL (at the time, NBG), CAG Cayman, CAC, CEG and CAG HK.

Cenntro was deemed to be the accounting acquirer given Cenntro effectively controlled the consolidated entity after the Combination. Under U.S. generally accepted accounting principles, the Combination is accounted for as a reverse recapitalization, which is equivalent to the issuance of shares by Cenntro for the net monetary assets of CEGL, accompanied by a recapitalization.

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

As of March 31, 2024, Cenntro Inc's subsidiaries are as follows:

Name	Date of Incorporation	Place of Incorporation	Percentage of direct or indirect economic interest
Cenntro Electric Group Limited ("CEGL")	May 11, 2017	Australia	100% owned by Cenntro Inc.
Cenntro Automotive Corporation ("CAC")	March 22, 2013	Delaware, U.S.	100% owned by Cenntro Inc.
Cenntro Electric Group, Inc. ("CEG")	March 9, 2020	Delaware, U.S.	100% owned by Cenntro Inc.
Cennatic Power, Inc. ("Cennatic Power")	June 8, 2022	Delaware, U.S.	100% owned by Cenntro Inc.
Teemak Power Corporation	January 31, 2023	Delaware, U.S.	100% owned by Cenntro Inc.
Avantier Motors Corporation	November 27, 2017	Delaware, U.S.	100% owned by Cenntro Inc.
Cenntro Electric CICS, SRL	November 30, 2022	Santo Domingo, Dominican Republic	99% owned by Cenntro Inc.
Cennatic Energy S. de R.L. de C.V.	August 24, 2022	Monterrey, Mexico	100% owned by Cenntro Inc
Cenntro Automotive S.A.S.	January 16, 2023	Galapa, Colombia	100% owned by Cenntro Inc
Cenntro Electric Colombia S.A.S.	March 29, 2023	Atlántico, Colombia	100% owned by Cenntro Inc
Cenntro Automotive Group Limited ("CAG HK")	February 15, 2016	Hong Kong	100% owned by Cenntro Inc
Hangzhou Ronda Tech Co., Limited ("Hangzhou Ronda")	June 5, 2017	PRC	100% owned by Cenntro Inc
Hangzhou Cenntro Autotech Co., Limited ("Cenntro Hangzhou")	May 6, 2016	PRC	100% owned by Cenntro Inc
Zhejiang Cenntro Machinery Co., Limited	January 20, 2021	PRC	100% owned by Cenntro Inc
Jiangsu Tooniu Tech Co., Limited	December 19, 2018	PRC	100% owned by Cenntro Inc
Hangzhou Hengzhong Tech Co., Limited	December 16, 2014	PRC	100% owned by Cenntro Inc
Teemak Power (Hong Kong) Limited (HK)	May 17, 2023	Hong Kong	100% owned by Cenntro Inc
Avantier Motors (Hong Kong) Limited	March 13, 2023	Hong Kong	100% owned by Cenntro Inc
Cenntro Automotive Europe GmbH ("CAE")	May 21, 2019	Herne, Germany	100% owned by Cenntro Inc
Cenntro Electric B.V.	December 12, 2022	Amsterdam, Netherlands	100% owned by Cenntro Inc
Cenntro Elektromobilite Araçlar A.Ş	February 21, 2023	Turkey	100% owned by Cenntro Inc
Cenntro Elecautomotiv, S.L.	July 5, 2022	Barcelona, Spain	100% owned by Cenntro Inc
Cenntro Electric Group (Europe) GmbH ("CEGE")	January 13, 2022	Düsseldorf, Germany	100% owned by Cenntro Inc
Simachinery Equipment Limited ("Simachinery HK")	June 2, 2011	Hong Kong	100% owned by Cenntro Inc
Zhejiang Sinomachinery Co., Limited ("Sinomachinery Zhejiang")	June 16, 2011	PRC	100% owned by Cenntro Inc
Shengzhou Cenntro Machinery Co., Limited ("Cenntro Machinery")	July 12, 2012	PRC	100% owned by Cenntro Inc
Cenntro EV Center Italy S.R.L.	May 8, 2023	Italy	100% owned by Cenntro Inc
Antric Gmbh	August 21, 2020	Germany	100% owned by Cenntro Inc
Pikka Electric Corporation	August 3, 2023	Delaware, U.S.	100% owned by Cenntro Inc
Centro Technology Corporation	August 24, 2023	California, U.S.	100% owned by Cenntro Inc

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2023, which has been derived from audited financial statements, and the unaudited condensed consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”).

Certain information and disclosures, which are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures made are adequate to provide a fair presentation. The interim financial information should be read in conjunction with the financial statements and the notes for the fiscal year ended December 31, 2023. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results for the full year or any future periods.

(b) Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company’s unaudited condensed consolidated financial statements include provision for doubtful accounts, lower of cost and net realizable value of inventories, impairment losses for long-lived assets and investments, valuation allowance for deferred tax assets and fair value measurement for share-based compensation expense, convertible promissory notes and warrants. Changes in facts and circumstances may result in revised estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(c) Fair value measurement

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These tiers include:

Level 1—defined as observable inputs such as quoted prices in active markets;

Level 2—defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3—defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company’s financial instruments not reported at fair value primarily consist of cash and cash equivalents, restricted cash, accounts receivable, prepayments and other current assets, amount due from and due to related parties, accounts payable and accrued expenses and other current liabilities.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, prepayment, goodwill and other current assets, accounts payable, accrued expenses and other current liabilities and amount due from and due to related party, current were approximate fair value because of the short-term nature of these items. The estimated fair values of loan from third party, and amount due from related party, non-current were not materially different from their carrying value as presented due to the brief maturities and because the interest rates on these borrowings approximate those that would have been available for loans of similar remaining maturities and risk profiles.

Available-for-sale investments and currency-cross swap were classified within Level 1 of the fair value hierarchy because they were valued using quoted prices in active markets. Our debt security investments are classified within Level 3 of the fair value hierarchy. As the Issuer is not yet listed and there are no similar companies in the market at the same stage of development for comparison, the Issuer is difficult to value, and the valuation is not considered reliable. Therefore, the Company develop own assumption by future cash flow forecast, which contains principle paid and interests accrued.

The fair value option provides an election that allows a company to irrevocably elect to record certain financial assets and liabilities at fair value on an instrument-by-instrument basis at initial recognition. The Company has elected to apply the fair value option to: i) convertible promissory notes payable due to the complexity of the various conversion and settlement options available to notes holders; ii) convertible loan receivable, which was recognized as debt security in long-term investments, and iii) currency-cross swap, which was recognized as derivative financial instruments in short-term investments.

The convertible promissory notes payable accounted for under the fair value option election are each a debt host financial instrument containing embedded features that would otherwise be required to be bifurcated from the debt-host and recognized as separate derivative liabilities subject to initial and subsequent periodic estimated fair value measurements in accordance with GAAP. Notwithstanding, when the fair value option election is applied to financial liabilities, bifurcation of an embedded derivative is not required, and the financial liability is initially measured at its issue-date estimated fair value and then subsequently remeasured at estimated fair value on a recurring basis as of each reporting period date.

The portion of the change in fair value attributed to a change in the instrument-specific credit risk is recognized as a component of other comprehensive income and the remaining amount of the fair value adjustment is recognized as changes in fair value of convertible promissory notes and derivative liabilities in the Company’s consolidated statement of operations. The estimated fair value adjustment is presented in a respective single line item within other expense in the consolidated statement of operations because the change in fair value of the convertible notes was not attributable to instrument-specific credit risk.

In connection with the issuances of convertible promissory notes, the Company issued investor warrants and placement agent warrants to purchase ordinary shares of the Company. The Company utilizes a Binomial model to estimate the fair value of the warrants and are considered a Level 3 fair value measurement. The warrants are measured at each reporting period, with changes in fair value recognized in the statement of operations.

As a practical expedient, the Company uses Net Asset Value ("NAV") or its equivalent to measure the fair value of its certain fund investment. The Company's investments valued at NAV as a practical expedient are: i) private equity funds, which represent the investment in equity securities on the consolidated balance sheet; ii) wealth management products purchased from banks, which represents the available-for-sale investments in short-term investments on the consolidated balance sheet.

(d) Revenue recognition

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of a contract with the customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenue primarily through sales of light-duty ECVs, sales of ECV parts, and sales of off-road electric vehicles. Revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Revenue is recognized net of return allowance and any taxes collected from customers, which are subsequently remitted to governmental authorities. Significant judgement is required to estimate return allowances. The Company reasonably estimate the possibility of return based on the historical experience, changes in judgments on these assumptions and estimates could materially impact the amount of net revenues recognized.

Shipping and handling costs for product shipments occur prior to the customer obtaining control of the goods are accounted for as fulfilment costs rather than separate performance obligations and recorded as sales and marketing expenses.

The following table disaggregates the Company's revenues by product line for the three months ended March 31, 2024 and 2023:

	For the Three Months Ended March 31,	
	2024	**2023**
Vehicles sales	$ 2,514,777	$ 2,840,963
Spare-parts sales	828,785	598,036
Other service income	48,437	31,545
Net revenues	$ 3,391,999	$ 3,470,544

The Company's revenues are derived from Europe, Asia and America. The following table sets forth disaggregation of revenue by customer location.

	For the Three Months Ended March 31,	
	2024	**2023**
Primary geographical markets		
Europe	$ 1,661,619	$ 3,061,998
Asia	1,104,475	376,500
America	625,905	32,046
Total	$ 3,391,999	$ 3,470,544

Contract Balances

Timing of revenue recognition was once the Company has determined that the customer has obtained control over the product. Accounts receivable represent revenue recognized for the amounts invoiced and/or prior to invoicing when the Company has satisfied its performance obligation and has an unconditional right to the payment.

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received consideration. The consideration received remains a contract liability until goods or services have been provided to the customer. For the three months ended March 31, 2024 and 2023, the Company recognized $890,646 and $98,818 revenue that was included in contract liabilities as of December 31, 2023 and 2022, respectively.

The following table provides information about receivables and contract liabilities from contracts with customers:

	March 31, 2024	**December 31, 2023**
Accounts receivable, net	$ 4,576,963	$ 6,530,801
Contract liabilities	$ 2,664,191	$ 3,394,044

(e) Recently issued accounting standards pronouncement

Except for the ASUs ("Accounting Standards Updates") issued but not yet adopted disclosed in "Note 2 (ab) Recently issued accounting standards pronouncements" of the Company 2023 Form 10-K, there is no ASU issued by the FASB that is expected to have a material impact on the Company's unaudited condensed consolidated results of operations or financial position.

NOTE 3 - SHORT-TERM INVESTMENTS

	March 31, 2024 (Unaudited)	December 31, 2023
Available-for-sale investment (1)	$ 4,180,713	$ 4,227,947
Cross-currency swap (2)	14,404	8,641
Total	$ 4,195,117	$ 4,236,588

(1) Available-for-sale investment represented wealth management products purchased from banks, for which the contractual maturity dates are more than three months and less than one year.

(2) Cross-currency swap was bought by the Company to manage its exposures to movements in foreign exchange rates primarily related to the RMB.

NOTE 4 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net is summarized as follows:

	March 31, 2024 (Unaudited)	December 31, 2023
Accounts receivable	$ 6,272,558	$ 8,443,069
Less: provision for doubtful accounts	(1,695,595)	(1,912,268)
Accounts receivable, net	$ 4,576,963	$ 6,530,801

The changes in the provision for doubtful accounts are as follows:

	For the Three Months Ended March 31,	
	2024 (Unaudited)	2023 (Unaudited)
Balance at the beginning of the period	$ 1,912,268	$ 1,961,034
Write-off	(173,731)	(11,402)
Foreign exchange	(42,942)	4,269
Balance at the end of the year	$ 1,695,595	$ 1,953,901

NOTE 5 - INVENTORIES, NET

Inventories, net are summarized as follows:

	March 31, 2024 (Unaudited)	December 31, 2023
Raw material	$ 11,357,883	$ 11,568,791
Work-in-progress	1,538,235	1,494,441
Goods in transit	3,619,328	3,774,310
Finished goods	30,728,733	30,576,355
Inventories, gross	47,244,179	47,413,897
Less: Inventory valuation allowance	(3,475,239)	(3,504,333)
Inventories, net	$ 43,768,940	$ 43,909,564

The changes in inventory valuation allowance are as follows:

	For the Three Months Ended March 31, 2024 (Unaudited)	For the Three Months Ended March 31, 2023 (Unaudited)
Balance at the beginning of the period	$ 3,504,333	$ 3,218,765
Write-off	(480)	(39)
Foreign exchange	(28,614)	8,669
Balance at the end of the year	$ 3,475,239	$ 3,227,395

NOTE 6 - PREPAYMENT AND OTHER CURRENT ASSETS

Prepayment and other current assets consisted of the following:

	March 31, 2024 (Unaudited)	December 31, 2023
Advance to suppliers	$ 13,930,881	$ 12,579,554
Deductible input value added tax	6,537,302	6,238,040
Receivable from third parties	-	1,000,000
Others	869,115	573,556
Prepayment and other current assets	$ 21,337,298	$ 20,391,150

NOTE 7 - LONG-TERM INVESTMENT, NET

(a) Equity method investments, net

The Company had the following equity method investments:

	March 31, 2024 (Unaudited)	December 31, 2023
Hangzhou Entropy Yu Equity Investment Partnership (Limited Partnership) ("Entropy Yu") (1)	$ 2,091,600	$ 2,127,062
Hangzhou Hezhe Energy Technology Co., Ltd. ("Hangzhou Hezhe") (2)	331,763	407,778
Able 2rent GmbH (DEU) (3)	87,589	89,432
Total	$ 2,510,952	$ 2,624,272

(1) On September 25, 2022, the Company invested RMB15,400,000 (approximately $2,132,875) in Entropy Yu to acquire 99.355% of the partnership entity's equity interest. The Company accounts for the investment under the equity method because the Company controls 50% of voting interests in partnership matters and material matters must be agreed upon by all partners. The Company has the ability to exercise significant influence over Entropy Yu.

(2) On June 23, 2021, the Company invested RMB2,000,000 (approximately $276,997) in Hangzhou Hezhe to acquire 20% of its equity interest. The Company accounts for the investment under the equity method because the Company controls 33% of voting interests in board of directors, and has the ability to exercise significant influence over Hangzhou Hezhe. On January 24, 2024, Ronda received the dividend distributed by Hangzhou Hezhe, amounting RMB400,000(approximately $55,400).

(3) On March 22, 2022, CAE invested EUR100,000 (approximately $107,910) in Able 2rent GmbH (DEU) to acquire 50% of its equity interest. The Company accounts for the investment under the equity method because it does not have control over Able 2rent GmbH (DEU) as the Company does not participate in its operation and does not serve as member of board of director.

(b) Equity investment without readily determinable fair value

The Company had the following equity investment without readily determinable fair value:

	March 31, 2024 (Unaudited)	December 31, 2023
HW Electro Co., Ltd. (1)	$ 1,000,000	$ 1,000,000
Robostreet Inc. (2)	450,000	450,000
Total	$ 1,450,000	$ 1,450,000

(1) On January 31, 2023, the Company entered into a debt convention agreement with HW Electro Co., Ltd., to convert the loan principal of $1,000,000 into HW Electro Co., Ltd.'s shares. The Company held 1,143,860 shares of HW Electro Co., Ltd.'s for a total of 3.00% of its equity interest.

(2) On July 12, 2023, the Company entered into a share sale and purchase agreement with Robostreet Inc., to acquire 176 shares of Robostreet Inc.'s for a total of 14.97% of its equity interest with a consideration of cash of $200,000 and three models of programmable smart chassis for an aggregate value of $250,000.

(c) Debt Security Investments

On July 24, 2023 the Company purchased a $1,000,000 convertible note (the "Convertible Note") from Acton (the "Issuer"). As of March 31, 2024, the Company has paid $600,000 to the Issuer, the balance of debt investments was $619,212. At any time on or after the maturity date, the convertible loan will convert into shares equal to the quotient obtained by dividing the outstanding principal balance and unpaid accrued interest of the convertible loan as of the date of such conversion by the applicable conversion price.

NOTE 8 - INVESTMENT IN EQUITY SECURITIES

As of March 31, 2024, the balance consisted of the following two equity investments:

	March 31, 2024 (Unaudited)	December 31, 2023
MineOne Fix Income Investment I L.P	$ 25,819,920	$ 26,060,355
Micro Money Fund SPC	-	98,119
Total	$ 25,819,920	$ 26,158,474

For the three months ended March 31, 2024 and 2023, the Company made redemption of $73,441 and nil of both equity investments, respectively.

For the three months ended March 31, 2024 and 2023, the Company received interest of $500,000 and nil of both equity investments, respectively.

For the three months ended March 31, 2024 and 2023, the Company recorded upward adjustments of $234,887 and $653,016 for changes in fair value of equity investments, respectively.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following:

	March 31, 2024 (Unaudited)	December 31, 2023
At cost:		
Plant and building	$ 11,363,200	$ 11,549,755
Land	1,063,270	1,063,270
Machinery and equipment	3,439,443	3,437,783
Leasehold improvement	6,329,451	6,221,899
Office equipment	2,166,478	2,179,269
Motor vehicles	1,200,275	1,106,055
Construction in progress	601,487	531,248
Total	**26,163,604**	**26,089,279**
Less: accumulated depreciation	(4,982,402)	(4,677,524)
Impairment	(985,483)	(1,010,234)
Property, plant and equipment, net	**$ 20,195,719**	**$ 20,401,521**

Depreciation expenses for the three months ended March 31, 2024 and 2023 were $385,144 and $305,262, respectively.

Impairment loss for the three months ended March 31, 2024 and 2023 were nil and $24,369, respectively.

NOTE 10 - INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	March 31, 2024 (Unaudited)	December 31, 2023
At cost:		
Land use right	$ 5,490,935	$ 5,584,050
Trademark	789,901	809,738
Technology	716,522	734,517
Software	116,359	118,350
Total	**7,113,717**	**7,246,655**
Less: accumulated amortization	(470,666)	(372,874)
Intangible assets, net	**$ 6,643,051**	**$ 6,873,781**

Amortization expenses for the three months ended March 31, 2024 and 2023 were $105,397 and $25,370, respectively.

NOTE 11 - INCOME TAXES

Australia

CEGL is subject to a tax rate of 25%.

United States

U.S. subsidiaries are subject to a federal tax rate of 21% and respective state tax rate.

Europe

Subsidiaries in Germany, Spain, Italy, Netherlands and Turkey are subject to a tax rate of 15.8%, 25%, 24%, 19% and 25%, respectively.

Hong Kong

In accordance with the relevant tax laws and regulations of Hong Kong, a company registered in Hong Kong is subject to income taxes within Hong Kong at the applicable tax rate on taxable income. Effective from April 1, 2018, a two-tier corporate income tax system was officially implemented in Hong Kong, which is 8.25% for the first HK$2.0 million profits, and 16.5% for the subsequent profits, it is exempted from the Hong Kong income tax on its foreign-derived income. CEG's subsidiaries, CAG HK and Sinomachinery HK, are registered in Hong Kong as intermediate holding companies, subject to an income tax rate of 16.5% for taxable income earned in Hong Kong. Payments of dividends from Hong Kong subsidiaries to CEG are not subject to any Hong Kong withholding tax.

PRC

Pursuant to the tax laws and regulations of the PRC, the Company's applicable enterprise income tax ("EIT") rate is 25%. Zhejiang Tooniu Tech Co., Ltd and Hangzhou Hengzhong Tech Co., Ltd qualify as Small and micro enterprises in the PRC, and are entitled to pay a reduced income tax rate of 5% in 2024.

Income tax benefit for the three months ended March 31, 2024 and 2023 are $30,032 and nil, respectively.

The components of losses before income taxes are summarized as follows:

	For the Three Months Ended March 31,	
	2024	2023
	(Unaudited)	(Unaudited)
PRC	$ 2,565,619	1,778,180
US	3,690,213	3,554,955
Europe	2,302,596	2,904,320
Australia	446,798	2,606,972
Others	255,029	269,550
Total	$ 9,260,255	11,113,977

NOTE 12 - LEASES

The Company leases offices space under non-cancellable operating leases. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheets.

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

A summary of lease cost recognized in the Company's consolidated statements of operations and comprehensive loss is as follows:

	For the Three Months Ended March 31,	
	2024	**2023**
	(Unaudited)	**(Unaudited)**
Operating leases cost excluding short-term rental expense	$ 1,295,426	$ 671,313
Short-term lease cost	112,457	268,721
Total	**$** 1,407,883	$ 940,034

A summary of supplemental information related to operating leases is as follows:

	March 31, 2024 (Unaudited)	**March 31, 2023**
Cash paid for amounts included in the measurement of lease liabilities	$ 1,178,716	$ 671,109
Weighted average remaining lease term	6.02 years	7.26 years
Weighted average discount rate	6.32%	5.41%

The Company's lease agreements do not have a discount rate that is readily determinable. The incremental borrowing rate is determined at lease commencement or lease modification and represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term and an amount equal to the lease payments in a similar economic environment.

The following table summarizes the maturity of lease liabilities under operating leases as of March 31, 2024:

	Operating Leases
For the remaining of 2024	$ 3,597,094
Years ended December 31,	
2025	4,003,959
2026	4,050,927
2027	4,099,617
2028	2,175,845
2029 and thereafter	5,781,298
Total lease payments	23,708,740
Less: imputed interest	(3,930,241)
Total	19,778,499
Less: current portion	4,471,010
Non-current portion	$ 15,307,489

NOTE 13 - CONVERTIBLE PROMISSORY NOTE AND WARRANT

Convertible Promissory Note

On July 20, 2022, the Company issued to investors convertible promissory note ("Note") in the aggregate principal amount of $61,215,000 due on July 19, 2023, unless earlier repurchased, converted or redeemed. The Note bears interest at a rate of 8% per annum, and the net proceed after deducting issuance expenses was $54,069,000.

The main terms of the Note are summarized as follows:

Conversion feature

At any time after the issue date until the Note is no longer outstanding, this Note shall be convertible, in whole or in part, into ordinary shares at the option of the holder, at any time and from time to time.

Redemption feature

If the Company shall carry out one or more subsequent financings in excess of US$25,000,000 in gross proceeds, the holder shall have the right to (i) require the Company to first use up to 10% of the gross proceeds of such subsequent financing if the aggregate outstanding principal amount of the Note is in excess of US$30,000,000 and (ii) require the Company to first use up to 20% of the gross proceeds of such subsequent financing if the outstanding principal amount of the Note is US$30,000,000 or less to redeem all or a portion of this Note for an amount in cash equal to the Mandatory Redemption Amount equal to 1.08 multiplied by the sum of principal amount subject to the mandatory redemption, plus accrued but unpaid interest, plus liquidated damages, if any, and any other amounts.

In addition, if the closing price of the ordinary shares on the principal trading market is below the floor price of $1.00 per share for a period of ten consecutive trading days, the holder shall have the right to require the Company to redeem the sum of principal amount plus accrued but unpaid interest under the Note.

Contingent interest feature

The Note is subject to certain customary events of default. If any event of default occurs, the outstanding principal amount, plus accrued but unpaid interest, liquidated damages and other amounts owing, shall become immediately due and payable, and at the holder's election, in cash at the mandatory default amount or in ordinary shares at the mandatory default amount at a conversion price equal to 85% of the 10-day volume weighted average price. Commencing 5 days after the occurrence of any event of default, the interest shall accrue at an interest rate equal to the lesser of 10% per annum or the maximum rate permitted under applicable law.

The financial liability was initially measured at its issue-date estimated fair value and subsequently remeasured at estimated fair value on a recurring basis at each reporting period date. The remaining estimated fair value adjustment is presented as other expense in the consolidated statement of operations, change in fair value of convertible notes.

The movement of Note during the three months ended March 31, 2024 are as follows:

	Liability component
As of December 31, 2023	$ 9,956,000
Convertible promissory notes issued during the period	-
Redemption of convertible promissory notes	-
Fair value change recognized	2,000
As of March 31, 2024 **(Unaudited)**	9,958,000

The estimated fair value of the Note upon issuance date December 31, 2023 and as of March 31, 2024 was computed using a Monte Carlo Simulation Model, which incorporates significant inputs that are not observable in the market, and thus represents a Level 3 measurement. The unobservable inputs utilized for measuring the fair value of the Note reflects our assumptions about the assumptions that market participants would use in valuing the Note as of the issuance date and subsequent reporting period.

The Company determined the fair value by using the following key inputs to the Monte Carlo Simulation Model:

Fair Value Assumptions - Convertible Promissory Note	**March 31, 2024 (Unaudited)**	**December 31, 2023**
Face value principal payable	9,953,381	9,953,381
Original conversion price	12.375	12.375
Interest Rate	8.00%	8.00%
Expected term (years)	0.81	1.05
Volatility	57.13%	53.46%
Market yield (range)	16.39%	13.93%
Risk free rate	4.99%	4.69%
Issue date	July 20, 2022	July 20, 2022
Maturity date	January 19, 2025	January 19, 2025

Warrant

Accompany with the Note, the Company issued to the same investor warrants to purchase up to 24,733,336 ordinary shares of the Company, with an exercise price of $1.61 per share, which may be exercised by the holders on a cashless basis by using Black-Scholes model to determine the net settlement shares.

Additionally, after the Company completed the above Note financing, the Company issued to the placement agent warrants to purchase 2,473,334 ordinary shares of the Company at a same day, as part of the underwriter's commission. The warrants were issued with an exercise price of $1.77 per share.

Both warrants are exercisable from the date of issuance and have a term of five years from the date of issuance. They were presented as liabilities on the consolidated balance sheet at fair value in accordance with ASC 480 "Distinguishing Liabilities from Equity". The liabilities then, will be remeasured every reporting period with any change to fair value recorded as other income (expense) in the consolidated statement of operations.

The movement of warrants during the three months ended March 31, 2024 are as follows:

	Investor warrants component	Placement agent warrants component
As of December 31, 2023	$ 12,189,508	$ 3,456,578
Warrants issued during the period	-	-
Exercise of warrants	-	-
Fair value change recognized	(993)	(301)
As of March 31, 2024	12,188,515	3,456,277

The fair value for these two warrants were computed using the Binomial model with the following assumptions:

Fair Value Assumptions – Warrants	**March 31, 2024 (Unaudited)**	**December 31, 2023**

Expected term (years)	3.30	3.55
Volatility	66.57%	72.11%
Risk free rate	4.08%	3.91%

NOTE 14 - CONCENTRATIONS

(a) Customers

The following table sets forth information as to each customer that accounted for 10% or more of net revenue for the three months ended March 31, 2024 and 2023.

Customer	Three months ended March 31, 2024 Amount	% of Total	Three months ended March 31, 2023 Amount	% of Total
A	730,158	22%	-	-
B	560,976	17%	-	-
C	-	-	339,874	10%
Total	$ 1,291,134	39%	$ 339,874	10%

The following table sets forth information as to each customer that accounted for 10% or more of total gross accounts receivable as of March 31, 2024 and December 31, 2023.

Customer	As of March 31, 2024 Amount	% of Total	As of December 31, 2023 Amount	% of Total
D	$ 1,140,576	18%	$ 2,724,397	32%
E	1,207,429	19%	1,237,751	15%
F	731,780	12%	723,636	*
Total	$ 3,079,785	49%	$ 4,685,784	47%

(b) Suppliers

For the three months ended March 31, 2024 and 2023, the Company's material suppliers, each of whom accounted for more than 10% of the Company's total purchases, were as follows:

Supplier	Three months ended March 31, 2024, Amount	% of Total	Three months ended March 31, 2023, Amount	% of Total
A	$ 1,207,489	37%	$ 4,844,671	56%
Total	$ 1,207,489	37%	$ 4,844,671	56%

The following table sets forth information as to each supplier that accounted for 10% or more of total accounts payable as of March 31, 2024 and December 31, 2023.

Supplier	As of March 31, 2024, Amount	% of Total	As of December 31, 2023, Amount	% of Total
C	$ 687,369	11%	$ 567,412	*
Total	$ 687,369	11%	$ 567,412	*

* Indicates below 10%.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be involved in various legal proceedings, claims and other disputes arising from the commercial operations, projects, employees and other matters which, in general, are subject to uncertainties and in which the outcomes are not predictable. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. Although the outcomes of these legal proceedings cannot be predicted, the Company does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of operations or liquidity.

Subject to retention of title and an instalment payment agreement, CAE sold 90 vehicles for a total price of EUR 2,185,721.32 (approximately $2,358,611.88) to the French company B-Moville under a contract dated August 23，2021. B-MOVILLE had already settled an amount of EUR 58,787.33 by the end of 2022 and, therefore, still owed CAE an amount of EUR 2,126,933.99, of which EUR 548,244.11 was owed by the end of 2022 under the instalment agreement. B-Moville had withheld instalment payments due to alleged defects of the vehicles, without specifying the amount of the claims for reduction of the purchase price. B-Moville had handed over the cars to its parent company SWOOPIN. SWOOPIN is insolvent and has been in judicial liquidation since November 2, 2022. The vehicles held by SWOOPIN were prevented from becoming part of the insolvency estate and being realized by the insolvency administrator. Due to the retention of title clause, the 90 vehicles remain the property of CAE. In the meantime, SWOOPIN returned the vehicles to B-Moville. CAE and B-Moville are currently negotiating the amount of the mutual claims.

On March 25, 2022, Shengzhou Hengzhong Machinery Co., Ltd. (“Shengzhou”), an affiliate of Cenntro Automotive Corporation, filed a demand for arbitration against Tropos Technologies, Inc. with the American Arbitration Association (“AAA”), asserting claims for breach of contract and unjust enrichment. Shengzhou is seeking payment of $1,126,640 (exclusive of interest, costs, and attorneys’ fees) for outstanding invoices owed by Tropos Technologies, Inc. to Shengzhou. As of the date of, Tropos Technologies, Inc. has not yet formally responded to the demand. On February 16, 2023, AAA appointed an arbitrator and both parties are waiting for further proceedings under the arbitration process. On April 25, 2023, Tropos Technologies, Inc. filed a motion to dismiss the arbitration demand. On May 23, 2023, Shengzhou Machinery filed a response in opposition to the motion to dismiss the arbitration demand. On January 29, 2024, the arbitrator issued his opinion and order denying Tropos’ Motion to dismiss.

In June 2022, Sevic Systems SE (“Sevic”) filed for injunctive relief in a corporate court in Brussels, Belgium, alleging CAE infringement of Sevic’s intellectual property (“IP”) rights. The injunctive action was also directed against LEIE Center SRL (“LEIE”) and Cedar Europe GmbH (“Cedar”), two distribution partners of CAE. There, Sevic claims it acquired all IP rights to an electric vehicle, the so-called CITELEC model (“CITELEC”), fully and exclusively from the French company SH2M Sarl (“SH2M”) under Mr. Pierre Millet. Sevic claims these rights were acquired under a 2019 IP transfer agreement. According to Sevic, the METRO model (“METRO”) produced by Cenntro Electro Group Ltd. (“Cenntro”) and distributed by CAE derives directly from the CITELEC. The distribution of the METRO, therefore, allegedly infringes on Sevic’s IP rights. In its action, Sevic relies on (Belgian) copyright law and unfair business practices. On February 2, 2023, the president of the commercial court of Brussels rendered a judgment, declaring i) the claim against Cedar was inadmissible and ii) The main claim against CAE and LEIE was founded. According to the president’s opinion the CITELEC-model can enjoy copyright protection and determined it was sufficiently proven that Sevic acquired the copyrights of the CITELEC-model. The president then concluded that the distribution of the METRO-model in Belgium constituted a violation of article XI. 165 §1 of the Belgian Code of Economic Law and thereby ordered the cessation of the distribution of the METRO-model, a penalty in the form of a fine of EUR20,000.00 per sold vehicle in Belgium and EUR5,000.00 for each other infringement in Belgium after the judgement was served with a maximum fine of EUR500,000.00 for LEIE and EUR1,000,000.00 fine for CAE. Because CAE has not sold any METRO-models in Belgium, the Company believes the judgement is incorrect but has accrued the related liability according to the judgement made. On April 17, 2023 CAE filed a writ of appeal. The introductory hearing was scheduled for May 22, 2023. The judge did not give any legal assessment at the hearing. All parties have been granted deadlines for written pleadings. The receipt of the final writ has been planned for September 2, 2024. As of now, it is not possible to determine what the outcome of these proceedings will be.

On July 22, 2022, Xiongjian Chen filed a complaint against Cenntro Electric Group Limited ("CENN"), Cenntro Automotive Group Limited ("CAG"), Cenntro Enterprise Limited ("CEL") and Peter Z. Wang ("Wang," together with CENN, CAG and CEL, the "Defendants") in the United States District Court for the District of New Jersey. The complaint alleges eleven causes of action sounding in contract and tort against the Defendants, all pertaining to stock options issued to Mr. Chen pursuant to his employment as Chief Operating Officer of CAG. With respect to the four contract claims, Plaintiff alleges breach of contract claims pertaining to an employment agreement between Plaintiff and CAG and a purported letter agreement between Plaintiff and CEL. With respect to the seven tort claims, Plaintiff alleges claims regarding purported misrepresentations and promises made concerning the treatment of Plaintiff's stock options upon a corporate transaction, including claims for tortious interference, fraud, promissory estoppel, negligent misrepresentation, unjust enrichment and conversion. The complaint seeks, among other things, money damages (including compensatory and consequential damages) in the amount of $19 million, plus interest, attorneys' fees and expenses. Defendants moved to dismiss the complaint against all Defendants for failure to state a claim and for lack of personal jurisdiction over defendants CAG and CEL. On April 30, 2023, the District Court dismissed the claims against CAG and CEL for lack of personal jurisdiction. In addition, the District Court dismissed all the claims against Wang and CENN without prejudice and permitted the Plaintiff to amend his complaint within 30 days to address the deficiencies in his claims against Wang and CENN. On May 28, 2023, Plaintiff filed an amended complaint. On July 20, 2023 the Defendants filed a motion seeking the dismissal of that amended complaint. On September 22, 2023, the Plaintiff filed to oppose our Motion to Dismiss and Motion to Strike. The Defendants filed our reply briefs by the deadline on November 9, 2023. On January 25, 2024, the Magistrate Judge entered an Order granting Plaintiff's Motion to Amend and denying our Motion to Strike as moot.

As of the issuance date of this report on Form 10-Q, there remains one ongoing civil litigation case between Hangzhou Ronda Tech Co., Limited ("Ronda"), one of Cenntro's wholly owned subsidiaries, and Fujian Newlongma Automotive Co., Ltd. ("Newlongma"), one of Ronda's suppliers; and the other two cases have been withdrawn:

On February 6, 2023, Hangzhou Ronda Tech Co., Limited ("Ronda"), one of Cenntro's wholly owned subsidiaries, commenced a lawsuit against Fujian Newlongma Automotive Co., Ltd. ("Newlongma"), one of Ronda's suppliers, in the Hangzhou Yuhang District People's Court, under which Ronda plead for (i) the termination of the vehicle purchase orders that Ronda placed with Newlongma on February 26, 2022; (ii) recovery of advance payments for total amount of approximately $438,702; and (iii) compensation for damages caused equal to approximately $453,290. The case mediation date was March 3, 2023 and was subsequently docketed on July 3, 2023. Since then, Newlongma filed a jurisdictional objection, and the Court dismissed that jurisdictional objection. Subsequently Newlongma filed a counterclaim and the Court hosted an exchange of evidence between the parties on 17 October 2023, and discovery was also organized on November 14, 2023 and January 16, 2024. On March 5, 2024, the first instance judgment was made, ruling: 1) Newlongma to fully return advance payments plus 100% damage totaling $869,702; 2) Ronda to pay for outstanding invoices totaling $583,813; and 3) to terminate all agreements between the parties, including the vehicle purchase orders which have not been fulfilled. Newlongma is dissatisfied with this third judgment and filed an appeal on March 21, 2024. The Company is preparing relevant defense materials for the court hearing scheduled on May 21, 2024.

On December 18, 2023, Zhejiang Sinomachinery Co., Ltd. filed a lawsuit against Tonghe County Tianxin Agricultural Machinery Co., Ltd. ("Tianxin"), requesting payment for total contract price of CNY461,800 (approximately US$ 65,104) and interest under a disputed contract of sale. On April 17, 2024, the court made the judgement supporting plaintiff's primary claims, ruling Tianxin to pay Zhejiang Sinomachinery CNY461,800 (approximately US$ 65,104) plus interest and relevant legal expenses within 10 days.

On January 2, 2024, MHP Americas, Inc. ("MHP"), through counsel, sent a letter to Cenntro Electric Group Limited ("Cenntro") demanding payment allegedly owed by Cenntro to MHP in the amount of $1,767,516.91 for unpaid invoices and $3,289,500 for total contract invoices and milestone payments for alleged breaches in connection with the parties' August 8, 2022, Master Consulting Services Agreement and/or March 9, 2023, Statement of Work. On January 12, 2024, Cenntro, through counsel, responded to the letter denying any breach and disputing the amounts claimed.

On April 10, 2024, CEGL filed a lawsuit against MHP Americas, Inc. ("MHP") for breach under the Master Consulting Services Agreement and SAP S/4HANA SOW by failure to properly implement the SAP S/4HANA globally as set forth in those contracts, and for breach of implied covenants of good faith and fair dealing, causing Cenntro to suffer significant damages; and demanded a jury trial on all issues which are triable. Under this claim, CEGL is seeking for a remittance of $512,226 paid to date and a recission of the remaining contract with MHP. On April 30, 2024, MHP filed a Notice of Removal of this action from the Superior Court of New Jersey to the U.S. District Court for the District of New Jersey.

NOTE 16 - RELATED PARTY TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Company:

Name of related parties:	Relationship with the Company
Zhejiang RAP	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited, CEGL's subsidiary
Hangzhou Hezhe Energy Technology Co., Ltd ("Hangzhou Hezhe")	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited, CEGL's subsidiary
Billy Rafael Romero Del Rosario	A shareholder who owns 1% equity interest of Cenntro Electric CICS, SRL and was the CEO of Cenntro Electric CICS, SRL

Related party transactions

During the three months ended March 31, 2024 and 2023, the Company had the following material related party transactions.

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	For the three months ended March 31,	
	2024	2023
	(Unaudited)	(Unaudited)
Purchase of raw materials from related parties		
Hangzhou Hezhe	$ 3,764	$ 79,773
Payment on the purchase of the raw materials		
Hangzhou Hezhe	-	54,516
Refund on the purchase of the raw materials		
Hangzhou Hezhe	69,486	-
Prepayment of operating fund to a related party		
Billy Rafael Romero Del Rosario	47,660	-
Interest income		
Zhejiang RAP	22,249	3,303

Amounts due from Related Parties

The following table presents amounts due from related parties as of March 31, 2024 and December 31, 2023.

	March 31, 2024 (Unaudited)	December 31, 2023
Hangzhou Hezhe (1)	$ 102,123	$ 178,019
Billy Rafael Romero Del Rosario	156,282	109,420
Zhejiang RAP	11,858	-
Total	$ 270,262	$ 287,439

(1) The balance mainly represents the prepayment for raw material to the related party.

Amounts due to Related Parties

The following table presents amounts due to related parties as of March 31, 2024 and December 31, 2023.

	March 31, 2024 (Unaudited)	December 31, 2023
Zhejiang RAP	$ -	$ 10,468
Total	$ -	$ 10,468

NOTE 17 - SUBSEQUENT EVENT

The Company has evaluated subsequent events through the date of issuance of the unaudited condensed consolidated financial statements, there were no subsequent events with material financial impact on the unaudited condensed consolidated financial statements.

CENNTRO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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

Introductory Note

Except as otherwise indicated by the context, references in this Quarterly Report on Form 10-Q (this "Form 10-Q") to the "Company," "Cenntro," "we," "us" or "our" are references to the combined business Cenntro Inc. and its subsidiaries. The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") summarizes the significant factors affecting our results of operations, liquidity, capital resources and contractual obligations. The following discussion and analysis should be read in conjunction with the Company's unaudited condensed consolidated financial statements and related notes included elsewhere herein.

A. Key Components of Results of Operations

Net revenues

Up until the three months ended March 31, 2024, we generate revenue primarily through the sale of ECVs to our channel partners. Starting in 2022, especially after the acquisition of CAE and the termination of the channel partners in North America, we have started to transform our go-to-market model to Cenntro Branded EV Centers globally.

Net revenues during the three months ended 2024 and 2023 were generated from (a) vehicles sales, which primarily represent net revenues from sales of Metro® vehicles (including vehicle kits), Logistar™ 200, Logistar™ 260, Logistar™ 400, Avantier™, Logistar™ 100 and Clubcar, (b) sales of ECV spare-parts related to our Metro® vehicles, and (c) other sales, which primarily were: (i) the sales of inventory of outsourced ECV batteries and (ii) charges on services provided to channel partners for technical developments and assistance with vehicle homologation or certification.

Cost of goods sold

Cost of goods sold mainly consists of production-related costs including costs of raw materials, consumables, direct labor, overhead costs, depreciation of plants and equipment, manufacturing waste treatment processing fees and inventory write-downs. We incur cost of goods sold in relation to (i) vehicle sales and spare-part sales, including, among others, purchases of raw materials, labor costs, and manufacturing expenses that related to ECVs, and (ii) other sales, including cost and expenses that are not related to ECV sales.

Cost of goods sold also includes inventory write-downs. Inventories are stated at the lower of cost or net realizable value. The cost of raw materials is determined on the basis of weighted average. The cost of finished goods is determined on the basis of weighted average and is comprised of direct materials, direct labor cost and an appropriate proportion of overhead. Net realizable value is based on estimated selling prices fewer selling expenses and any further costs of completion. Adjustments to reduce the cost of inventory to net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances. Write-downs are recorded in the cost of goods sold in our statements of operations and comprehensive loss.

Operating expenses

Our operating expenses consist of general and administrative, selling and marketing expenses, and research and development expenses. General and administrative expenses are the most significant components of our operating expenses. Operating expenses also include provision for doubtful accounts and impairment loss for long-lived assets.

Research and Development Expenses

Research and development expenses consist primarily of employee compensation and related expenses, prototype expenses, costs associated with assets acquired for research and development, product development costs, production inspection and testing expenses, product strategic advisory fees, third-party engineering and contractor support costs and allocated overhead. We expect our research and development expenses to increase as we continue to invest in new ECV models, new materials and techniques, vehicle management and control systems, digital control capabilities and other technologies.

Selling and Marketing Expense

Selling and marketing expenses consist primarily of employee compensation and related expenses, sales commissions, marketing programs, freight costs, travel and entertainment expenses and allocated overhead. Marketing programs consist of advertising, tradeshows, events, corporate communications and brand-building activities. We anticipate that our selling and marketing expenses will not increase as we shift our strategy towards strengthening our existing market developments in 2024, instead of pursuing the rapid expansions undertaken in 2023.

General and Administrative Expenses

General and administrative expenses consist primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, and fees for third-party professional services. While we continue to monitor general and administrative expenses, we anticipate that our general and administrative expenses will not increase in 2024 as we committed to improve operational efficiency in the next two years, following rapid expansions in previous years.

Accounts receivable and provision for doubtful accounts

The Company adopted ASC 326 Financial Instruments – Credit Losses using the modified retrospective approach through a cumulative-effect adjustment to accumulated deficit from January 1. 2023 and interim periods therein. Management used an expected credit loss model for the impairment of accounts receivable as of period ends. Management believes the aging of accounts receivable is a reasonable parameter to estimate expected credit loss, and determines expected credit losses for accounts receivables using an aging schedule as of period ends. The expected credit loss rates under each aging schedule were developed on basis of the average historical loss rates from previous years, and adjusted to reflect the effects of those differences in current conditions and forecasted changes. Management measured the expected credit losses of accounts receivable on a collective basis. When an accounts receivable does not share risk characteristics with other accounts receivables, management will evaluate such accounts receivable for expected credit loss on an individual basis. Doubtful accounts balances are written off and deducted from allowance. when receivables are deemed uncollectible. after all collection efforts have been exhausted and the potential for recovery is considered remote.

Impairment loss for long-lived assets

We evaluate the recoverability of long-lived assets or asset group with determinable useful lives whenever events or changes in circumstances indicate that an asset or a group of assets' carrying amount may not be recoverable. We measure the carrying amount of long-lived asset against the estimated undiscounted future cash flows expected to result from the use of the assets or asset group and their eventual disposition. The carrying amount of the long-lived asset or asset group is not recoverable when the sum of the undiscounted expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets or asset group, when the market prices are not readily available. The adjusted carrying amount of the assets become new cost basis and are depreciated over the assets' remaining useful lives. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Other income (expenses)

Interest expense, net

Interest expense, net, consists of interest on outstanding loans and the convertible promissory notes.

Income(loss) from and impairment on equity method investments

Entities over which we have the ability to exercise significant influence but do not have a controlling interest through investment in common shares, or in-substance common shares, are accounted for using the equity method. Under the equity method, we initially record our investment at cost and subsequently recognize our proportionate share of each such entity's net income or loss after the date of investment into the statements of operations and comprehensive loss and accordingly adjust the carrying amount of the investment. When our share of losses in the equity of such entity equals or exceeds our interest in the equity of such entity, we do not recognize further losses, unless we have incurred obligations or made payments or guarantees on behalf of such entity. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. The adjusted carrying amount of the assets become new cost basis.

Key Operating Metrics

We prepare and analyze operating and financial data to assess the performance of our business and allocate our resources. The following table sets forth our key performance indicators for the three months ended March 31, 2024 and 2023.

	Three Months ended March 31,	
	2024	**2023**
	(Unaudited)	
Gross margin of vehicle sales	6.34%	1.63%

Gross margin of vehicle sales. Gross margin of vehicle sales is defined as gross profit of vehicle sales divided by total revenue of vehicle sales.

Results of Operations

The following table sets forth a summary of our statements of operations for the periods indicated:

	Three Months ended March 31,	
	2024	**2023**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Combined Statements of Operations Data:		
Net revenues	3,391,999	3,470,544
Cost of goods sold	(3,377,728)	(3,275,800)
Gross profit	**14,271**	**194,744**
Operating Expenses:		
Selling and marketing expenses	(1,316,763)	(1,868,985)
General and administrative expenses	(6,361,196)	(7,358,264)
Research and development expenses	(1,727,830)	(1,569,919)
Total operating expenses	**(9,405,789)**	**(10,797,168)**
Loss from operations	**(9,391,518)**	**(10,602,424)**
Other Income (Expense):		
Interest expense, net	73,242	(54,415)
(Loss) Income from equity method investments	(13,520)	19,042
Other (expense) income, net	(168,574)	358,075
Loss on redemption of convertible promissory notes	—	(2,100)
Loss on exercise of warrants	—	(212,870)
Change in fair value of convertible promissory notes and derivative liability	(705)	(126,272)
Change in fair value of equity securities	234,887	653,016
Gain from cross-currency swaps	5,933	—
Impairment of Long-term investments	—	(1,146,128)
Loss before income taxes	**(9,260,255)**	**(11,113,977)**
Income tax expense	30,032	—
Net loss	**(9,230,223)**	**(11,113,977)**
Less: net loss attributable to non-controlling interests	(72)	(156,028)
Net loss attributable to shareholders of the Company	**(9,230,151)**	**(10,957,949)**

Comparison of the Three months ended March 31, 2024 and 2023

Net Revenues

The following table presents our net revenue components by amount and as a percentage of the total net revenues for the periods presented.

	Three Months Ended March 31,			
	2024		2023	
	Amount	%	Amount	%
(Expressed in U.S. Dollars)	(Unaudited)			
Net revenues:				
Vehicle Sales	$ 2,514,777	74.2%	$ 2,840,963	81.9%
Spare-part sales	828,785	24.4%	598,036	17.2%
Other sales	48,437	1.4%	31,545	0.9%
Total net revenues	$ 3,391,999	100.0%	$ 3,470,544	100.0%

Net revenues for the three months ended March 31, 2024 were approximately $3.4 million, a decrease of approximately $0.1 million or 2.3% from approximately $3.5 million for the three months ended March 31, 2023. The decrease in net revenues in 2024 was primarily attributed to a decrease in vehicle sales by approximately $0.3 million due to the decrease of average selling price from approximately $22,000 to $15,000, offset by an increase in spare-part sales by approximately $0.2 million.

Additional units were sold during the three months ended March 31, 2024; we sold 165 ECVs, including 29 fully assembled Metro® units, 8 fully assembled Logistar™ 200, 26 fully assembled Logistar™ 100, 4 fully assembled Teemak™ , 42 fully assembled Logistar™ 260, 4 fully assembled Logistar™ 400 units, 29 fully assembled Avantier™ units, 20 Clubcar units and 3 Antric® V5 units compared with 129 ECVs for the three months ended March 31, 2023, including 17 fully assembled Metro® units, 48 fully assembled Logistar™ 200, 39 fully assembled Logistar™ 100, 1 fully assembled Teemak™ and 24 fully assembled Logistar™ 260.

Geographically, the vast majority of our net revenues were generated from vehicle sales in the Europe during the three months ended March 31, 2024 and 2023. For the three months ended March 31, 2024, net revenues from Europe, North America, and Asia as a percentage of total revenues was 49.0%, 18.5%, and 32.5%, respectively, compared to 88.2%, 0.9%, and 10.9%, respectively for the corresponding period in 2023.

For the three months ended March 31, 2024, net revenues from vehicle sales in Europe, North America, and Asia as a percentage of total vehicle net revenues was 61.8%, 24.9%, and 13.3%, respectively, compared to 93.8%, 1.1%, and 5.1%, respectively, for the corresponding period in 2023.

Cost of goods sold

The following table presents our cost of goods sold by amount and as a percentage of the total cost of goods sold for the periods presented.

	Three Months Ended March 31,			
	2024		2023	
	Amount	%	Amount	%
(Expressed in U.S. Dollars)	(Unaudited)			
Cost of goods sold:				
Vehicle Sales	$ (2,355,403)	69.7%	$ (2,794,762)	85.3%
Spare-part sales	(920,289)	27.2%	(464,224)	14.2%
Other sales	(102,036)	3.1%	(16,814)	0.5%
Total cost of goods sold	$ (3,377,728)	100.00%	$ (3,275,800)	100.00%

Cost of goods sold for the three months ended March 31, 2024 was approximately $3.4 million, an increase of approximately $0.1 million or approximately 3.1% from approximately $3.3 million for the three months ended March 31, 2023. The increase of cost of vehicle sales was mainly caused by the increased cost of spare-parts sales and other sales of approximately $0.5 million and $0.09 million, respectively, offset by the decreased cost of vehicle sales of approximately $0.4 million.

Gross Profit

Gross profit for the three months ended March 31, 2024 was approximately $0.01 million, a decrease of approximately $0.18 million from approximately $0.19 million of gross profit for the three months ended March 31, 2023. For the three months ended March 31, 2024 and 2023, our overall gross margin was approximately 0.4% and 5.6%, respectively. Our gross margin of vehicle sales for the three months ended March 31, 2024 and 2023 was 6.34% and 1.63%, respectively. The decrease of our gross profit was caused by a decrease in the gross profit of spare-part sales and other sales of approximately $0.2 million and $0.07 million, respectively, offset by the increase in the gross profit of vehicle sales of approximately $0.1 million.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended March 31, 2024 were approximately $1.3 million, a decrease of approximately $0.6 million or approximately 29.6% from approximately $1.9 million for the three months ended March 31, 2023. The decrease in selling and marketing expenses in 2024 was primarily attributed to the decrease in marketing expenses, others, freight and selling employees' share-based compensations of approximately $0.3 million, $0.1 million, $0.2 million and $0.1 million, respectively, offset by the increase in service fees related to European market and distribution channel research of approximately $0.2 million.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2024 were approximately $6.4 million, a decrease of approximately $1.0 million or approximately 13.3% from approximately $7.3 million for the three months ended March 31, 2023. The decrease in general and administrative expenses in 2024 was primarily attributed to a decrease in legal and professional fee, salary and social insurance and office expenses of approximately $0.5 million, $0.2 million and $0.7 million, respectively, offset by the increase in ROU amortization of approximately $0.4 million.

Research and Development Expenses

Research and development expenses for the three months ended March 31, 2024 were approximately $1.7 million, an increase of approximately $0.2 million or approximately 10.1% from approximately $1.6 million for the three months ended March 31, 2023. The increase in research and development expenses in 2024 was primarily attributed to the increase salary expense of approximately $0.3 million, offset by the decrease in design and development expenses of approximately $0.1 million.

Interest income (expense), net

Interest income (expense), net, mainly consists of interest income from deposit. Net interest income was approximately $0.07 million for the three months ended March 31, 2024, a change of approximately $0.12 million compared to the approximately $0.05 million in interest expense for the three months ended March 31, 2023. The increase was primarily attributable to (i) a decrease in interest expense to convertible bonds of approximately $0.2 million, (ii) offset by the decrease in interest income of approximately $0.09 million from HWE.

Other expense (income), net

Other expense, net for the three months ended March 31, 2024 was approximately $0.17 million, representing a change of approximately $0.53 million compared to approximately $0.36 million of other income, net for the three months ended March 31, 2023. The change of other income in 2024 compared to 2023 was primarily attributable to (i) a decrease of approximately $0.2 million in investment income from the wealth management products purchased from banks during the first quarter in 2024 (ii) an increase of approximately $0.4 million in loss on foreign currency exchange.

Change in fair value of convertible promissory notes and derivative liability

A loss in the change in fair value of convertible promissory notes and derivative liability for the three months ended March 31, 2024 was approximately nil, representing a decrease of approximately $0.1 million compared to approximately $0.1 million of a loss in the change in fair value of convertible promissory notes and derivative liability for the three months ended March 31, 2023.

Change in fair value of equity securities

A gain in the change in fair value of equity securities for the three months ended March 31, 2024 was approximately $0.2 million. The gain was attributed to a downward adjustment of approximately $0.02 million due to the fair value change of our investment on participating shares in Micro Money Fund SPC with an original investment value of $5 million, offset by an upward adjustment of approximately $0.3 million from our investment on partnership shares in MineOne Fix Income Investment I L.P with an original investment value of $25 million.

Non-GAAP Financial Measures

Adjusted EBITDA for the three months ended March 31, 2024 and 2023

In addition to our results determined in accordance with GAAP, we believe Adjusted EBITDA, a non-GAAP measure is useful in evaluating operational performance. We use Adjusted EBITDA to evaluate ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors in assessing operating performance.

Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. We define Adjusted EBITDA as net income (or net loss) before net interest expense, income tax expense, depreciation and amortization as further adjusted to exclude the impact of stock-based compensation expense and other non-recurring expenses including expenses related to loss on redemption of convertible promissory notes, loss on exercise of warrants, and change in fair value of convertible promissory notes and derivative liability.

We present Adjusted EBITDA because we consider it to be an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for comparing our ongoing results of operations. Management uses Adjusted EBITDA:

- as a measurement of operating performance because it assists us in comparing the operating performance of our business on a consistent basis, as it removes the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our operational strategies; and
- to evaluate our capacity to expand our business.

By providing this non-GAAP financial measure, together with the reconciliation, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA may not be comparable to similar measures disclosed by our competitors because not all companies and analysts calculate Adjusted EBITDA in the same manner. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as an alternative to, or a substitute for net income or other financial statement data presented in our financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are recurring, non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and
- the exclusion of stock-based compensation expense, which has been a significant recurring expense and will continue to constitute a significant recurring expense for the foreseeable future, as equity awards are expected to continue to be an important component of our compensation strategy.

Due to these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using these non-GAAP measures only supplementally. As noted in the table below, Adjusted EBITDA includes adjustments to exclude the impact of stock-based compensation expense and material infrequent items. It is reasonable to expect that these items will occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our business and may complicate comparisons of our internal operating results and operating results of other companies over time. In addition, Adjusted EBITDA may include adjustments for other items that we do not expect to regularly occur in future reporting periods. Each of the normal recurring adjustments and other adjustments described in this paragraph and in the reconciliation table below help management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations.

The following table reconciles Adjusted EBITDA to the most directly comparable GAAP financial performance measure, which is net loss:

	Three Months Ended March 31,	
	2024	2023
(Expressed in U.S. Dollars)	(Unaudited)	
Net loss	$ (9,230,223)	$ (11,113,977)
Interest (expense) income, net	(73,242)	54,415
Income tax benefit	(30,032)	—
Depreciation and amortization	490,540	330,632
Share-based compensation expense	906,327	1,153,808
Loss on redemption of convertible promissory notes	—	2,001
Loss on exercise of warrants	—	212,870
Change in fair value of convertible promissory notes and derivative liability	705	126,272
Adjusted EBITDA	$ (7,935,925)	$ (9,233,979)

B. Liquidity and Capital Resources

We have historically funded working capital and other capital requirements primarily through bank loans, equity financings and short-term loans. Also, the reverse recapitalization we have completed at the end of December 2021 provided significant funding for the Company's operations. Cash is required primarily to purchase raw materials, repay debts and pay salaries, office expenses and other operating expenses.

As of March 31, 2024 we had approximately $20.3 million in cash and cash equivalents and approximately $4.6 million of accounts receivables as compared to approximately $91.8 million in cash and cash equivalents and $2.7 million in accounts receivable as of March 31, 2022. For the three months ended March 31, 2024 and 2023, net cash used in operating activities was approximately $8.9 million and $17.4 million, respectively.

Short-Term Liquidity Requirements

We believe our cash and cash equivalents will be sufficient for us to continue to execute our business strategy over the twelve months period following the date of issuance of our annual report. Our current business strategy for the next twelve months includes (i) the continued rollout of our new ECV models and green energy related products in North America and Europe, as applicable and (ii) the establishment and development of local distribution channels in the United States and the European Union. Actual results could vary materially as a result of a number of factors, including:

- The costs of bringing our new facilities into operation;
- The timing and costs involved in rolling out new ECV models to market;
- Our ability to manage the costs of manufacturing our ECVs;
- The costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities;
- Revenues received from sales of our ECVs;
- The costs of additional general and administrative personnel, including accounting and finance, legal and human resources, as well as costs related to litigation, investigations, or settlements;
- Our ability to collect future revenues; and
- Other risks discussed in the section titled "*Risk Factors*."

For the twelve months from the date hereof, we also plan to continue implementing measures to increase revenues and control operating costs and expenses, implementing comprehensive budget controls and operational assessments, implementing enhanced vendor review and selection processes as well as enhancing internal controls.

Long-Term Liquidity Requirements

In the long-term, we plan to regionalize the manufacturing and supply chain relating to certain components of our ECVs in the geographic markets in which our ECVs are sold. In the long-term, through our supply chain development know-how, we intend to establish supply chain relationships in North America and the European Union to support anticipated manufacturing and assembly needs in these markets, thereby reducing the time in transit and potentially other landed costs elements associated with importing our components and spare parts from China. Currently, the majority of our revenues is derived from the sale of ECVs by private label channel partners that assemble our vehicle kits in their own facilities. As part of our growth strategy, we plan to expand our channel partner network, and local assembly facilities to regionalize our manufacturing and supply chains to better serve our global customers   especially to expand our after-sales-market services offerings.

We intend to further expand our technology through continued investment in research and development. Since inception in 2013 through March 31, 2024 we have spent over approximately $91.7 million in research and development activities related to our operations. We plan to increase our research and development expenditure over the long term as we build on our technologies in vehicle development, driving control, cloud-based platforms, and innovations for promoting sustainable energy.

For our long-term business plan, we plan to fund current and future planned operations mainly through cash on hand, cash flow from operations, lines of credit and additional equity and debt financings to the extent available on commercially favorable terms.

Working Capital

As of March 31, 2024, our working capital was approximately $67.5 million, as compared to a working capital of approximately $75.6 million as of December 31, 2023. The approximately $8.1 million decrease in working capital during 2024 was primarily due to (i) the decrease of cash and cash equivalents of approximately $9.1 million, offset by the increase in prepayment and other current assets of approximately $0.9 million.

Cash Flow

	Three Months Ended March 31,	
	2024	**2023**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Net cash used in operating activities	$ (8,864,876)	$ (17,363,332)
Net cash provided by (used in) investing activities	306,761	(5,493,759)
Net cash used in financing activities	-	(39,583,321)
Effect of exchange rate changes on cash	(429,029)	283,806
Net decrease in cash, cash equivalents, and restricted cash	(8,987,144)	(62,156,606)
Cash and cash equivalents, and restricted cash at beginning of the period	29,571,897	154,096,801
Cash and cash equivalents, and restricted cash at end of the period	$ 20,584,753	$ 91,940,195

Operating Activities

Our net cash used in operating activities was approximately $8.9 million, $17.4 million for the three months ended March 31, 2024 and 2023, respectively.

Net cash used in operating activities for the three months ended March 31, 2024 was primarily attributable to (i) our net loss of approximately $9.2 million and adjusted for non-cash items of approximately $3.0 million, which primarily consisted of net foreign currency exchange loss, share based compensation expense, depreciation and amortization and amortization of operating lease right-of-use asset of approximately $0.6 million, $0.9 million, $0.5 million and $1.2 million, respectively, (ii) the increase in inventories, accrued expense and other current liabilities, deferred revenue and operating lease liabilities and of approximately $0.7 million, $0.6million, $0.7 million and $1.3 million, respectively, (iii) decrease in accounts receivable of approximately $1.8 million.

Investing Activities

Net cash provided by investing activities was approximately $0.3 million for the three months ended March 31, 2024. Net cash provided by investing activities for the three months ended March 31, 2024 was primarily attributable to proceeds from equity securities of approximately $0.6 million, offset by the cash in purchase of property, plant and equipment of approximately $0.3 million.

Financing Activities

Net cash provided by financing activities was nil for the three months ended March 31, 2024.

Contractual Obligations

In February 2021, we signed a non-cancellable operating lease agreement for warehouse and trial production use in Freehold, New Jersey (Willowbrook Road) of approximately 9,750 square feet. The lease period began in February 2021 and ends in January 2025. The annual base rent for this facility is $175,500 starting from February 2023. The lease rent fee will be adjusted upward by 3% annually afterwards. We signed the first addendum to lease on December 7, 2022 and the renewal period is two years commencing on Feb. 1, 2023 and terminating on Jan. 31, 2025, the annual base rent for the first twelve months the period is $17,500 and the annual base rent for the second twelve months the period is $180,765.

In June 2021, we signed two non-cancellable operating lease agreements for approximately 11,700 square feet and 3,767 square feet, respectively, of two floors of an office building in Hangzhou, China. The lease period for each lease agreement began in June 2021 and ends in May 2025. Pursuant to each agreement, we paid the first six months of our rent obligations in June 2021 and thereafter will be obligated to make rental payments in advance semi-annually. The total annual base rent under these two lease agreements is $170,617 for the term ending May 2022 and $186,866 for the term ending May 2023.

On December 4, 2021, we entered into an entrustment agreement with Cedar Europe GmbH, a company organized under the laws of Germany (“Cedar”) pursuant to which we entrusted Cedar to, in Cedar’s name, obtain a lease agreement for facilities in Germany and operate such lease facility under Cedar’s name in exchange for the Cenntro’s responsibility for all expenditures and costs of the lease. On December 24, 2021, Cedar entered into a lease agreement for an approximately 27,220 square feet facility in Dusseldorf, Germany, where we now house our European Operations Facility. The lease period began on January 1, 2022 and ends on December 31, 2024. Pursuant to such lease agreement, the total annual base rent is€354,787 (or approximately $383,512) for the lease term. On 17 January 2023, Cedar transferred the lease to CEGE, effectively from 1 February, 2023..

On January 20, 2022, we entered into an operating lease agreement (the “Jacksonville Lease”), between CAC, as tenant, the Company, as guarantor, and JAX Industrial One, LTD., a Florida limited liability company, as landlord, for a facility of approximately 100,000 square feet in Jacksonville, Florida. The lease period commenced on January 20, 2022 and ends 120 months following a five-month rent abatement period. Pursuant to the Jacksonville Lease, minimum annual rent is approximately $695,000, $722,800, and $751,710, for the first three years, sequentially, and rising thereafter.

On March 22, 2023, we signed a non-cancellable operating lease agreement for approximately 26,579 square feet as a local plant in Colombia, the lease period began on May 1, 2023 and the lease term is two years. The rent is COP 46,796,001.49 (or approximately $10,344.77) per month and the value of the lease fee shall be readjusted in a proportion equal to the consumer price index (CPl) certified by DANE as of December 31 of the immediately preceding year, plus two (2) points.

On May 19, 2023, we completed the acquisition with Cenntro Elecautomotiv, S.L., our EVC in Spain. On April 3, 2023, Cenntro Elecautomotiv, S.L. signed a non-cancellable operating lease agreement for approximately 1,765 square feet as a local office in Barcelona, Spain, the lease period began on April 3, 2023 and the lease term is five years. The monthly rent is €1,776 (or approximately $1,919.9) plus value-added tax with a two-month rent abatement period. In addition, Cenntro Elecautomotiv, S.L. signed a non-cancellable operating lease agreement for approximately 3,471 square feet as a service center in Barcelona, Spain on August 9, 2022, the lease period began on August 1, 2022 and the lease term is ten years. The annual rent is €36,000 (or approximately $38,916) and shall be readjusted depending on the changes of the consumer price index (CPl) determined by the National Bureau of Statistics and its substitute institutions. Legal defense is €6,000 (or approximately $6,486).

On April 4, 2023, we signed a non-cancellable operating lease agreement for approximately 2,500 square feet in Freehold, New Jersey. The lease period commenced on July 17, 2023 and ends on July 31, 2025. The annual base rent for the first twelve months of the period is $33,525 and the annual base rent for the second twelve months of the period is $35,201.

On February 16, 2022, we signed a non-cancellable operating lease agreement for apartment 53D in the building at 555 Tenth Avenue, New York, NY 10018. The term is one year and one month, beginning on March 5, 2022 and ending on April 4, 2023. The monthly rent is $5,750. On February 1, 2023, we signed a renewal lease agreement. The term of this lease is one year, beginning on April 5, 2023 and ending on April 4, 2024. The monthly rent is $5,950.

On March 25, 2022, we completed the acquisition of TME, and change its name to Cenntro Automotive Europe GmbH ("CAE”). TME signed a non-cancellable operating lease agreement for approximately 5,212 square meters in 2019, the lease period starts on July 1, 2019 and ends on June 30, 2024, the monthly rent is €18,891 (or approximately $20,468).

On December 29, 2022, we signed a non-cancellable operating lease agreement with BAL Freeway Associates, LLC for approximately 64,000 square feet as a facility. The lease period commenced on April 1, 2023 and ends five years following a one-month rent abatement period. The base rent for the first year is $115,200 per month. The monthly rent for the following four years is $119,808, $124,600.32, $129,584.33 and $134,767.71, respectively.

On December 15, 2022, we signed a non-cancellable operating lease agreement for approximately 41,160 square feet as a facility in Howell, New Jersey. The lease period began on February 1, 2023 and ends five years, the first annual base rent is $493,920 and the annual increase is 3%.

On August 4, 2022, we signed a non-cancellable operating lease agreement in Mexico as a facility. For the first 12 months, the rentable area is 58,413 square feet. Starting on the month 13 to month 18, the rentable area is 85,554 square feet, and as of month 19 of the Rent Commencement Date and for the remainder of the initial term, the rentable area is 112,694 square feet. The lease period commenced on January, 2023 and ends 8.5 years. The monthly rent is $29,225.38 and the annual increase is the higher of a) the consumer price index, or b) 2.5%.

On December 8, 2022, we signed a non-cancellable operating lease agreement for approximately 10,656 square feet as a headquarters and service center in Dominica Republic. The lease period commenced on February 15, 2023 and ends five years. The rent is $9,000 per month and the annual increase is 5%.

On July 28, 2022, we signed a non-cancellable operating lease agreement for approximately 12,000 square feet as an EV center in Jacksonville, Florida. The lease period began on September 1, 2022 and ends on August 31, 2029, the first annual base rent is $150,000 and the annual increase is 4%.

On August 31, 2023, we completed the acquisition with Antric GmbH in Germany. On July 20, 2022, Antric signed a non-cancellable operating lease agreement for approximately 4,361 square feet in Bochum, Germany, the lease period ends on December 31, 2026. The monthly rent is €3,605.26 (or approximately $3,988.14). On September 1, 2022, the lease area increased to 7,326 square feet and the monthly rent increased to €6,000.32 (or approximately $6,637.55). The additional deposit is €18,000.96 (or approximately $19,912.66). On January 20, 2023, Antric signed another non-cancellable operating lease agreement for approximately 252 square feet in Bochum, Germany, the lease period starts on February 1, 2023 and ends on December 31, 2026. The monthly rent increased to €6,315.38 (or approximately $6,986.07). On March 27, 2023, Antric signed another non-cancellable operating lease agreement for approximately 2,949 square feet in Bochum, Germany, the lease period starts on April 1, 2023 and ends on December 31, 2026. The monthly rent increased to €8,597.80 (or approximately $9,510.89).

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our Audited Financial Statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements, the reported amounts of revenue and expenses during the reporting period and the related disclosures in the consolidated and combined financial statements and accompanying footnotes. Out of our significant accounting policies, which are described in "Note 2—Summary of Significant Accounting Policies" of our consolidated and combined financial statements for the three months ended March 31, 2024, included elsewhere in this Quarter Report, certain accounting policies are deemed "critical," as they require management's highest degree of judgment, estimates and assumptions. While management believes its judgments, estimates and assumptions are reasonable, they are based on information presently available and actual results may differ significantly from those estimates under different assumptions and conditions.

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2023, which has been derived from audited financial statements, and the unaudited condensed consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

Certain information and disclosures, which are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures made are adequate to provide a fair presentation. The interim financial information should be read in conjunction with the financial statements and the notes for the fiscal year ended December 31, 2023. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results for the full year or any future periods.

Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's unaudited condensed consolidated financial statements include provision for doubtful accounts, lower of cost and net realizable value of inventories, impairment losses for long-lived assets and investments, valuation allowance for deferred tax assets and fair value measurement for share-based compensation expense, convertible promissory notes and warrants. Changes in facts and circumstances may result in revised estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Recently issued accounting standards pronouncement

Except for the ASUs ("Accounting Standards Updates") issued but not yet adopted disclosed in "Note 2 (ab) Recently issued accounting standards pronouncements" of the Company 2023 Form 10-K, there is no ASU issued by the FASB that is expected to have a material impact on the Company's unaudited condensed consolidated results of operations or financial position.

Revenue recognition

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of a contract with the customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenue primarily through sales of light-duty ECVs, sales of ECV parts, and sales of off-road electric vehicles. Revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Revenue is recognized net of return allowance and any taxes collected from customers, which are subsequently remitted to governmental authorities. Significant judgement is required to estimate return allowances. The Company reasonably estimate the possibility of return based on the historical experience, changes in judgments on these assumptions and estimates could materially impact the amount of net revenues recognized.

Shipping and handling costs for product shipments occur prior to the customer obtaining control of the goods are accounted for as fulfilment costs rather than separate performance obligations and recorded as sales and marketing expenses.

Contract Balances

Timing of revenue recognition was once the Company has determined that the customer has obtained control over the product. Accounts receivable represent revenue recognized for the amounts invoiced and/or prior to invoicing when the Company has satisfied its performance obligation and has an unconditional right to the payment.

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received consideration. The consideration received remains a contractual liability until goods or services have been provided to the customer. For the three months ended March 31, 2024 and 2023, the Company recognized $890,646 and $98,818 revenue that was included in contractual liabilities as of December 31, 2023 and 2022, respectively.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is not required to provide the information required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Roles 12a-15(e) or 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and acting Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and acting CFO, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024, as required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act. Based on this evaluation, management concluded that the Company's disclosure controls and procedures was not effective as of March 31, 2024, due to material weaknesses in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that have been previously identified but continue to exist. See Part II, Item 9A of the 2023 Form 10-K for additional information.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the first quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31,2023, we began implementing a remediation plan to address the material weakness mentioned above. The weakness will not be considered remediated, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be subject to various legal claims and proceedings that arise from the normal course of business activities, including, third party intellectual property infringement claims against us in the form of letters and other forms of communication. Litigation or any other legal or administrative proceeding, regardless of the outcome, could result in substantial cost, diversion of our resources, including management's time and attention, and, depending on the nature of the claims, reputational harm. In addition, if any litigation results in an unfavorable outcome, there exists the possibility of a material adverse impact on our results of operations, prospects, cash flows, financial position and brand. Please refer to the description as contained in "Item 8 Financial Statements and Supplementary Data" on page F-1 of our Annual Report and the information described below.

On March 25, 2022, Shengzhou Hengzhong Machinery Co., Ltd. ("Shengzhou"), an affiliate of Cenntro Automotive Corporation, filed a demand for arbitration against Tropos Technologies, Inc. with the American Arbitration Association ("AAA"), asserting claims for breach of contract and unjust enrichment. Shengzhou is seeking payment of $1,126,640 (exclusive of interest, costs, and attorneys' fees) for outstanding invoices owed by Tropos Technologies, Inc. to Shengzhou. As of the date of this report, Tropos Technologies, Inc. has not yet formally responded to the demand. On February 16, 2023, AAA appointed an arbitrator and arbitrator and on April 25,2023, Tropos Technologies, Inc. filed a motion to dismiss the arbitration demand. On May 23,2023, Shengzhou filed a response in opposition to the motion to dismiss the arbitration demand. A hearing on the motion to dismiss was held on November 7, 2023. On January 29, 2024, the arbitrator issued his opinion and order denying Tropos Technologies, Inc.'s motion to dismiss.

On July 22, 2022, Xiongjian Chen (the “Plaintiff") filed a complaint against Cenntro Electric Group Limited (“CENN”), Cenntro Automotive Group Limited (“CAG”), Cenntro Enterprise Limited (“CEL”) and Peter Z. Wang (“Wang,” together with CENN, CAG and CEL, the “Defendants”) in the United States District Court for the District of New Jersey. The complaint alleges eleven causes of action sounding in contract and tort against the Defendants, all pertaining to stock options issued to Mr. Chen pursuant to his employment as Chief Operating Officer of CAG. With respect to the four contract claims, Plaintiff alleges breach of contract claims pertaining to an employment agreement between Plaintiff and CAG and a purported letter agreement between Plaintiff and CEL. With respect to the seven tort claims, Plaintiff alleges claims regarding purported misrepresentations and promises made concerning the treatment of Plaintiff’s stock options upon a corporate transaction, including claims for tortious interference, fraud, promissory estoppel, negligent misrepresentation, unjust enrichment and conversion. The complaint seeks, among other things, money damages (including compensatory and consequential damages) in the amount of $19 million, plus interest, attorneys’ fees and expenses. Defendants moved to dismiss the complaint against all Defendants for failure to state a claim and for lack of personal jurisdiction over defendants CAG and CEL. On April 30, 2023, the District Court dismissed the claims against CAG and CEL for lack of personal jurisdiction. In addition, the District Court dismissed all the claims against Wang and CENN without prejudice and permitted the Plaintiff to amend his complaint within 30 days to address the deficiencies in his claims against Wang and CENN. On July 20, 2023, the Defendants filed a motion seeking the dismissal of that amended complaint. On July 20, 2023, the Defendants filed a motion seeking the dismissal of Plaintiff’s amended complaint. On September 22, 2023, the Plaintiff filed a motion to strike our motion to dismiss. The Defendants filed reply briefs to Plaintiff’s motion to strike on November 9, 2023. On January 25, 2024, the Magistrate Judge entered an order granting Plaintiff’s Motion to Amend and denying our Motion to Strike as moot.

On February 6, 2023, Hangzhou Ronda Tech Co., Limited (“Ronda”), one of Cenntro’s wholly owned subsidiaries, Ronda commenced a lawsuit against Fujian Newlongma Automotive Co., Ltd. (“Newlongma”), one of Ronda’s suppliers in the Hangzhou Yuhang District People's Court (the “Court”), under which Ronda pled for (i) the termination of the vehicle purchase orders that Ronda placed with Newlongma on February 26, 2022; (ii) recovery of advance payments for total amount of approximately $438,702; and (iii) compensation for damages equal to approximately $453,290. The mediation date was set for March 3, 2023 and subsequently docketed on July 3, 2023. Since then, Newlongma filed a jurisdictional objection, and the Court dismissed that jurisdictional objection. Subsequently Newlongma filed a counterclaim and the Court hosted an exchange of evidence between the parties on October 17, 2023. On March 5, 2024, the Court issued a judgment ruling: (1) Newlongma was to return advance payments plus 100% damages totaling $869,702; (2) Ronda was to pay for outstanding invoices totaling $583,813; and (3) that all agreements between the parties were to be terminated, including the vehicle purchase orders which have not been fulfilled. Newlongma is dissatisfied with this third judgment and filed an appeal on March 21, 2024. We are preparing relevant defense materials for the court hearing scheduled on May 21, 2024.

On April 10, 2024, CEGL filed a lawsuit against MHP Americas, Inc. (“MHP”) for breach under the Master Consulting Services Agreement and SAP S/4HANA SOW by failure to properly implement the SAP S/4HANA globally as set forth in those contracts, and for breach of implied covenants of good faith and fair dealing, causing Cenntro to suffer significant damages; and demanded a jury trial on all issues which are triable. Under this claim, CEGL is seeking for a remittance of $512,226 paid to date and a recission of the remaining contract with MHP. On April 30, 2024, MHP filed a Notice of Removal of this action from the Superior Court of New Jersey to the U.S. District Court for the District of New Jersey.

ITEM 1A. RISK FACTORS

You should carefully consider the risks discussed in the section entitled “Risk Factors” in the 2023 Form 10-K, which could materially affect our business, financial condition, or future results. The risks described in the 2023 Form 10-K are not the only risks facing the company. Additional risks and uncertainties not currently known to us or that we do not currently deem material, may also materially adversely affect our business, results of operations, cash flows, and financial position.

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

There have been no sales of unregistered equity securities that we have not previously disclosed in filings with the U.S. Securities and Exchange Commission.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements of Section 16 Reporting Persons.

During the quarter ended March 31, 2024, no person who is required to file reports pursuant to Section 16(a) of the Securities and Exchange Act of 1934, as amended, with respect to holdings of, and transactions in, the Company's common shares (i.e. directors and certain officers of the Company) maintained, adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1(c) arrangement", as those terms are defined in Section 229.408 of the regulations of the SEC.

ITEM 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
31.1*	Certification of Principal Executive Officer required by Rule 13a-14(a).
31.2*	Certification of Principal Financial Officer required by Rule 13a-14(a).
32.1**	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

CENNTRO INC.

Dated: May 15, 2024.

CENNTRO INC.

By: */s/ Peter Z. Wang*
Peter Z. Wang
Chief Executive Officer
(Principal Executive Officer)

By: */s/ Edward Ye*
Edward Ye
Acting Chief Financial Officer
(Principal Accounting Officer)

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Z. Wang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cenntro 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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) 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 my supervision, to ensure that material information relating to the company, 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 our 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;

(c) Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Dated: May 15, 2024

By: */s/ Peter Z. Wang*
Peter Z. Wang
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Edward Ye, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cenntro 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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) 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 my supervision, to ensure that material information relating to the company, 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 our 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;

(c) Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Dated: May 15, 2024

By: */s/ Edward Ye*
Edward Ye
Acting Chief Financial Officer
(Principal Accounting Officer and Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Cenntro Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: May 15, 2024

By: */s/ Peter Z. Wang*
Peter Z. Wang
Chairman and Chief Executive Officer

By: */s/ Edward Ye*
Edward Ye
Acting Chief Financial Officer