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, 2023**
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 ELECTRIC GROUP LIMITED

(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 **(604) 428-7656**

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Ordinary Shares	**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 304,449,091 ordinary shares outstanding as of July 25, 2023.

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Forward-Looking Statements

This Quarterly Report of Cenntro Electric Group Limited ACN 619 054 938 (“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;
- 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, 2022, filed with the SEC on June 30, 2023 and as amended on July 6, 2023 (the “Form 10-K/A”).

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.

PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CENNTRO ELECTRIC GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Note	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Net revenues	2(c)	$ 3,470,544	$ 1,830,633
Cost of goods sold		(3,275,800)	(1,467,603)
Gross profit		194,744	363,030
OPERATING EXPENSES:			
Selling and marketing expenses		(1,868,985)	(1,095,108)
General and administrative expenses		(7,358,264)	(8,211,831)
Research and development expenses		(1,569,919)	(425,359)
Total operating expenses		(10,797,168)	(9,732,298)
Loss from operations		(10,602,424)	(9,369,268)
OTHER EXPENSE:			
Interest (expense) income, net		(54,415)	64,201
Income from long-term investment		19,042	5,937
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		(126,273)	-
Change in fair value of equity securities		653,016	-
Other income (expense), net		358,076	(49,239)
Loss before income taxes		(11,113,977)	(9,348,369)
Income tax expense	10	-	-
Net loss		(11,113,977)	(9,348,369)
Less: net loss attributable to non-controlling interests		(156,028)	(36,719)
Net loss attributable to the Company’s shareholders		$ (10,957,949)	$ (9,311,650)
OTHER COMPREHENSIVE LOSS			
Foreign currency translation adjustment		337,278	253,156
Total comprehensive loss		(10,776,699)	(9,095,213)
Less: total comprehensive loss attributable to non-controlling interests		(180,595)	(57,588)
Total comprehensive loss to the Company’s shareholders		$ (10,596,104)	$ (9,037,625)

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

CENNTRO ELECTRIC GROUP LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	Note	Mach 31, 2023 (Unaudited)	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		$ 91,847,734	$ 153,966,777
Restricted cash		92,461	130,024
Accounts receivable, net	4	2,732,834	565,398
Inventories	5	36,546,917	31,843,371
Prepayment and other current assets	6	15,596,764	16,138,330
Deferred cost- current		20,026	-
Amounts due from related parties	14	343,353	366,936
Total current assets		147,180,089	203,010,836
Non-current assets:			
Long-term investment, net	7	5,239,512	5,325,741
Investment in equity securities	8	30,412,211	29,759,195
Property, plant and equipment, net	9	17,265,446	14,962,591
Intangible assets, net		4,558,185	4,563,792
Right-of-use assets	11	13,865,063	8,187,149
Deferred cost- non-current		243,251	-
Other non-current assets, net		2,306,597	2,039,012
Total non-current assets		73,890,265	64,837,480
Total Assets		$ 221,070,354	$ 267,848,316
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities:			
Accounts payable		$ 2,899,119	$ 3,383,021
Accrued expenses and other current liabilities		3,668,415	5,048,641
Contractual liabilities		2,656,151	2,388,480
Operating lease liabilities, current	11	2,779,279	1,313,334
Convertible promissory notes	12	17,903,274	57,372,827
Deferred government grant, current		56,009	26,533
Amounts due to related parties	15	46,900	716,372
Total current liabilities		30,009,147	70,249,208
Non-current liabilities:			
Deferred government grant, non-current		1,036,172	497,484
Derivative liability - investor warrant	12	12,392,632	14,334,104
Derivative liability - placement agent warrant	12	3,457,067	3,456,404
Operating lease liabilities, non-current	11	11,640,499	7,421,582
Total non-current liabilities		28,526,370	25,709,574
Total Liabilities		$ 58,535,517	$ 95,958,782
Commitments and contingencies	14		
EQUITY			
Ordinary shares (No par value; 304,449,091 and 300,841,995 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively)		-	-
Additional paid in capital		398,262,089	397,497,817
Accumulated deficit		(230,782,125)	(219,824,176)
Accumulated other comprehensive loss		(4,945,127)	(5,306,972)
Total equity attributable to shareholders		162,534,837	172,366,669
Non-controlling interests		-	(477,135)
Total Equity		$ 162,534,837	$ 171,889,534
Total Liabilities and Equity		$ 221,070,354	$ 267,848,316

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

CENNTRO ELECTRIC GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	$ (17,363,332)	$ (23,486,438)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equity investment	(622,917)	-
Purchase of plant and equipment	(2,577,292)	(82,799)
Purchase of land use right and property	(268,993)	-
Acquisition of CAE's equity interests	(1,924,557)	(2,843,003)
Proceeds from disposal of property, plant and equipment	-	327
Loans provided to third parties	(100,000)	(1,047,053)
Net cash used in investing activities	(5,493,759)	(3,972,528)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans to related parties	-	(1,750,367)
Repayment of loans to third parties	-	(421,222)
Purchase of CAE's loan	-	(13,228,101)
Reduction of capital	-	(13,930,000)
Redemption of convertible promissory notes	(39,583,321)	-
Payment of expense for the reverse recapitalization	-	(904,843)
Net cash used in financing activities	(39,583,321)	(30,234,533)
Effect of exchange rate changes on cash	283,806	97,755
Net decrease in cash, cash equivalents and restricted cash	(62,156,606)	(57,595,744)
Cash, cash equivalents and restricted cash at beginning of period	154,096,801	261,664,962
Cash, cash equivalents and restricted cash at end of period	$ 91,940,195	$ 204,069,218
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ -	$ 377,717
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 condensed consolidated financial statements.

CENNTRO ELECTRIC GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Ordinary shares		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity	Non-controlling interest	Total equity
	Shares	Amount						
Balance as of December 31, 2021	261,256,254	$ -	$374,901,939	$(109,735,935)	$ (1,392,699)	$ 263,773,305	$ -	$263,773,305
Share-based compensation	-	-	199,416	-	-	199,416	-	199,416
Net loss	-	-	-	(9,311,650)	-	(9,311,650)	(36,719)	(9,348,369)
Acquisition of 65% of CAE's equity interests	-	-	-	-	-	-	1,555,320	1,555,320
Foreign currency translation adjustment	-	-	-	-	274,025	274,025	(20,869)	253,156
Balance as of March 31, 2022	261,256,254	$ -	$375,101,355	$(119,047,585)	$ (1,118,674)	$ 254,935,096	$ 1,497,732	$256,432,828

	Ordinary shares		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity	Non-controlling interest	Total equity
	Shares	Amount						
Balance as of December 31, 2022	300,841,995	$ -	$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	3,607,096	-	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	304,449,091	$ -	$398,262,089	$(230,782,125)	$ (4,945,127)	$ 162,534,837	$ -	$162,534,837

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

CENNTRO ELECTRIC GROUP LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES

Historical and principal activities

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.

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.

CAC, CEG and CAG HK and its consolidated subsidiaries are collectively known as "Cenntro"; CEGL and Cenntro 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.

On March 25, 2022 and January 31, 2023, the Company 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".

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, whereby CEGL purchased from CAG Cayman (i) all of the issued and outstanding ordinary shares of CAG HK, (ii) all of the issued and outstanding shares of common stock, par value $0.001 per share, of CAC, and (iii) all of the issued and outstanding shares of common stock, par value $0.01 per share, of CEG, in exchange for an aggregate purchase price of (i) 174,853,546 newly issuing ordinary shares of CEGL and (ii) the assumption of options to purchase an aggregate of 9,225,271 ordinary shares under the Cenntro Electric Group Limited Amended & Restated 2016 Incentive Stock Option Plan (the "Amended 2016 Plan"). The Combination closed on December 30, 2021. Immediately prior to the consummation of the Combination, there were 86,402,708 ordinary shares of NBG issued and outstanding. In connection with the closing of the Combination, CEGL changed its name from "Naked Brand Group Limited" to "Cenntro Electric Group Limited".

Promptly following the closing of the Combination, CAG Cayman distributed the Acquisition Shares to the holders of its capital stock in accordance with (i) the distribution described in the Acquisition Agreement and (ii) CAG Cayman's Third Amended and Restated Memorandum and Articles of Association. Pursuant to the Acquisition Agreement, at the closing of the Combination, NBG assumed the Amended 2016 Plan and each CAG Cayman employee stock option outstanding immediately prior to the closing of the Combination under the Amended 2016 Plan was converted into an option to purchase a number of ordinary shares equal to the aggregate number of CAG Cayman shares for which such stock option was exercisable immediately prior to the closing of the Combination multiplied by the exchange ratio of 0.71536 (the "Exchange Ratio"), as determined in accordance with the Acquisition Agreement, at an option exercise price equal to the exercise price per share of such stock option immediately prior to the closing of the Combination divided by the Exchange Ratio.

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. Cenntro is deemed to be the predecessor for accounting purposes and the historical financial statements of Cenntro became CEGL's historical financial statements, with retrospective adjustments to give effect to the reverse recapitalization. The financial statements for periods prior to the consummation of the reverse recapitalization are the combined financial statements of CAC, CEG and CAG HK and its consolidated subsidiaries.

CENNTRO ELECTRIC GROUP LIMITED
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars, except for number of shares)

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

As of March 31, 2023, CEGL's subsidiaries are as follows:

Name	Date of Incorporation	Place of Incorporation	Percentage of direct or indirect economic interest
Cenntro Electric CICS, SRL	November 30, 2022	Santo Domingo, Dominican Republic	100% owned by CEGL
Cennatic Power, Inc. ("Cennatic Power")	June 8, 2022	Delaware, U.S.	100% owned by CEGL
Cenntro Automotive Europe GmbH ("CAE")	May 21, 2019	Herne, Germany	65% owned by CEGL
Cenntro Electric Group (Europe) GmbH ("Cenntro Electric")	January 13, 2022	Düsseldorf, Germany	100% owned by CEGL
Cennatic Energy S. de R.L. de C.V.	August 24, 2022	Monterrey, Mexico	99% and 1% owned by Cennatic Power and CAC, respectively
Cenntro Electric B.V.	December 12, 2022	Amsterdam, Netherlands	100% owned by CEGL
Cenntro Automotive Corporation ("CAC")	March 22, 2013	Delaware, U.S.	100% owned by CEGL
Cenntro Electric Group, Inc. ("CEG")	March 9, 2020	Delaware, U.S.	100% owned by CEGL
Cenntro Automotive Group Limited ("CAG HK")	February 15, 2016	Hong Kong	100% owned by CEGL
Simachinery Equipment Limited ("Simachinery HK")	June 2, 2011	Hong Kong	100% owned by CAG HK
Zhejiang Cenntro Machinery Co., Limited	January 20, 2021	PRC	100% owned by CAG HK
Jiangsu Tooniu Tech Co., Limited	December 19, 2018	PRC	100% owned by CAG HK
Hangzhou Ronda Tech Co., Limited ("Hangzhou Ronda")	June 5, 2017	PRC	100% owned by CAG HK
Hangzhou Cenntro Autotech Co., Limited ("Cenntro Hangzhou")	May 6, 2016	PRC	100% owned by CAG HK
Zhejiang Sinomachinery Co., Limited ("Sinomachinery Zhejiang")	June 16, 2011	PRC	100% owned by Simachinery HK
Shengzhou Cenntro Machinery Co., Limited ("Cenntro Machinery")	July 12, 2012	PRC	100% owned by Cenntro Hangzhou
Hangzhou Hengzhong Tech Co., Limited	December 16, 2014	PRC	100% owned by Cenntro Hangzhou
Zhejiang Xbean Tech Co., Limited *	December 28, 2016	PRC	100% owned by Sinomachinery Zhejiang
Cenntro Automotive S.A.S.	January 16, 2023	Galapa, Colombia	100% owned by CEGL
Cenntro Electric Colombia S.A.S.	March 29, 2023	Atlántico, Colombia	100% owned by CEGL
Cenntro Elektromobilite Araçlar A.Ş	February 21, 2023	Turkey	100% owned by CEGL
Teemak Power Corporation	January 31, 2023	Delaware, U.S.	100% owned by CEGL
Avantier Motors Corporation	November 27, 2017	Delaware, U.S.	100% owned by CEGL
Avantier Motors (Hong Kong) Limited	March 13, 2023	Hong Kong	100% owned by CEGL

* Zhejiang Xbean Tech Co., Limited was in the liquidation process as of March 31, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2022, which has been derived from audited financial statements, and the unaudited condensed consolidated financial statements as of March 31, 2023 and for the three months ended March 31, 2023 and 2022 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, 2022. The results of operations for the three months ended March 31, 2023 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) 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.

(Expressed in U.S. dollars, except for number of shares)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table disaggregates the Company's revenues by product line for the three months ended March 31, 2023 and 2022:

	For the Three Months Ended March 31,	
	2023	2022
Vehicles sales	$ 2,840,963	$ 1,718,371
Spare-parts sales	598,036	101,424
Other service income	31,545	10,838
Net revenues	$ 3,470,544	$ 1,830,633

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,	
	2023	2022
Primary geographical markets		
Europe	$ 3,061,998	$ 617,601
Asia	276,500	795,549
America	32,046	417,483
Total	$ 3,470,544	$ 1,830,633

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.

Contractual 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, 2023 and 2022, the Company recognized $98,818 and $723,278 revenue that was included in contractual liabilities as of December 31, 2022 and 2021, respectively.

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

	March 31, 2023	December 31, 2022
Accounts receivable, net	$ 2,732,834	$ 565,398
Contractual liabilities	$ 2,656,151	$ 2,388,480

(d) Recently issued accounting standards pronouncement

Except for the ASUs ("Accounting Standards Updates") issued but not yet adopted disclosed in "Note 2 (z) Recent Accounting Standards" of the Company 2022 Form 10-K, there is no ASU issued by the FASB that is expected to have a material impact on the Company's consolidated results of operations or financial position.

NOTE 3 – BUSINESS COMBINATION

On March 5, 2022, the Company entered into a Share and Loan Purchase Agreement (the “Purchase Agreement I”) with Mosolf SE & Co. KG, a limited liability partnership incorporated under the laws of Germany (“Seller” or “Mosolf” and, together with CEGL and CEG, the “Parties”), pursuant to which Mosolf agreed to sell to the Company (i) 65% of the issued and outstanding shares (the “TME Shares”) in Cenntro Automotive Europe GmbH, previously known as Tropos Motors Europe GmbH, a German limited liability company (“CAE”), and (ii) 100% of the shareholder loan (the “Shareholder Loan”) which Mosolf previously provided to CAE (the “CAE Transaction”). CAE was one of Cenntro’s private label channel partners and has been one of Cenntro’s largest customers since 2019.

The CAE Transaction closed on March 25, 2022. At closing of the CAE Transaction, the Company paid Mosolf EUR3,250,000 (or approximately USD$3.6 million) for the purchase of the TME Shares and EUR11,900,000 (or approximately USD$13.0 million) for the purchase of the Shareholder Loan, for total aggregate consideration of EUR15,150,000 (or approximately USD$16.6 million). An aggregate of EUR3,000,000 (or approximately USD$3.3 million) of the purchase price is held in escrow to satisfy amounts payable to any of the buyer indemnified parties in accordance with the terms of the Purchase Agreement I.

The transaction constitutes a business combination for accounting purposes and is accounted for using the acquisition method under ASC 805. The Company is deemed to be the accounting acquirer and the assets and liabilities of CAE are recorded at the fair value as of the date of the closing.

On December 13, 2022, the Company entered into another Share Purchase Agreement (the “Purchase Agreement II”) with Mosolf, pursuant to which Mosolf agreed to sell to the Company its remaining 35% of the issued and outstanding shares in CAE in exchange for a purchase price of EUR1,750,000 (or approximately USD$1.86 million) (the “Transaction”). The Transaction was closed on January 31, 2023, as a result, CAE became a wholly-owned subsidiary of the Company. This transaction was accounted for as equity transactions, no gain or loss was recognized in consolidated statement of operations. The difference between the fair value of the consideration paid and the amount by which the noncontrolling interest was adjusted was recognized in equity attributable to the Company.

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NOTE 4 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net is summarized as follows:

	March 31, 2023	December 31, 2022
Accounts receivable	$ 4,686,735	$ 2,526,432
Less: provision for doubtful accounts	(1,953,901)	(1,961,034)
Accounts receivable, net	$ 2,732,834	$ 565,398

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

	For the Three Months Ended March 31,	
	2023	2022
Balance at the beginning of the period	$ 1,961,034	$ 1,475,983
Additions	-	-
Write-off	(11,402)	-
Foreign exchange	4,269	6,362
Balance at the end of the year	$ 1,953,901	$ 1,482,345

NOTE 5 - INVENTORIES

Inventories are summarized as follows:

	March 31, 2023	December 31, 2022
Raw material	$ 8,102,206	$ 9,311,419
Work-in-progress	578,233	290,220
Goods in transit	3,073,933	2,364,136
Finished goods	24,792,545	19,877,596
Inventories	$ 36,546,917	$ 31,843,371

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NOTE 6 - PREPAYMENT AND OTHER CURRENT ASSETS

Prepayment and other current assets consisted of the following:

	March 31, 2023	December 31, 2022
Advance to suppliers	$ 9,708,922	$ 9,877,337
Deductible input value added tax	4,376,571	4,097,162
Receivable from third parties	681,813	678,887
Loans to a third party	100,000	1,044,181
Others	729,458	440,763
Prepayment and other current assets	$ 15,596,764	$ 16,138,330

NOTE 7 – LONG-TERM INVESTMENT, NET

Equity method investments, net

The Company had the following equity method investments:

	March 31, 2023	December 31, 2022
Antric GmbH (1)	$ 1,556,672	$ 2,674,500
Hangzhou Entropy Yu Equity Investment Partnership (Limited Partnership) (“Entropy Yu”) (2)	2,199,016	2,189,570
Hangzhou Hezhe Energy Technology Co., Ltd. (“Hangzhou Hezhe”) (3)	391,088	367,272
Able 2rent GmbH (DEU) (4)	92,736	94,399
Total	$ 4,239,512	$ 5,325,741

(1) On December 16, 2022, the Company invested EUR2,500,000 (approximately $2,718,000) in Antric GmbH to acquire 25% of its equity interest. The Company accounts for the investment under the equity method because the Company controls 25% of voting interests, and has the ability to exercise significant influence over Antric GmbH. For the three months ended March 31, 2023, the Company recorded impairment on investment of Antric GmbH of $1,146,128.

(2) On September 25, 2022, the Company invested RMB15,400,000 (approximately $2,242,414) 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.

(3) On June 23, 2021, the Company invested RMB2,000,000 (approximately $291,223 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.

(4) On March 22, 2022, CAE invested EUR100,000 (approximately $108,720 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.

Equity investment without readily determinable fair value

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

	March 31, 2023	December 31, 2022
HW Electro Co., Ltd. (1)	1,000,000	-
Total	$ 1,000,000	$ -

(1) On January 31, 2023, the Company entered into a convertible debt agreement with HW Electro Co., Ltd., to convert the loan principal of $1,000,000 into 571,930 shares of HW Electro Co., Ltd.’s for a total of 3.59% of its equity interest.

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NOTE 8 – INVESTMENT IN EQUITY SECURITIES

As of March 31, 2023, the balance consisted of the following two equity investments:

	March 31, 2023	December 31, 2022
MineOne Fix Income Investment I L.P	$ 25,275,956	$ 25,019,244
Micro Money Fund SPC	5,136,255	4,739,951
Total	$ 30,412,211	$ 29,759,195

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT, NET

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

	March 31, 2023	December 31, 2022
At cost:		
Plant and building (1)	$ 11,502,851	$ 11,453,436
Machinery and equipment	3,248,410	2,413,087
Leasehold improvement	4,442,928	2,956,515
Office equipment	1,366,669	1,192,443
Motor vehicles	422,682	352,972
Total	**20,983,540**	**18,368,453**
Less: accumulated depreciation	(3,718,094)	(3,405,862)
Construction in progress	132,808	-
Property, plant and equipment, net	**$ 17,265,446**	**$ 14,962,591**

Depreciation expenses for the three months ended March 31, 2023 and 2022 were $305,262 and $137,104, respectively.

Impairment loss for the three months ended March 31, 2023 and 2022 were $24,369 and nil, respectively.

(Expressed in U.S. dollars, except for number of shares)

NOTE 10 - INCOME TAXES

Australia

CEGL is subject to a tax rate of 30%.

United States

U.S. subsidiaries CEG, Cennatic Power Inc. and CAC are subject to a federal tax rate of 21%.

Germany

CAE and Cenntro Electric is subject to a tax rate of 30%.

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, Hangzhou Hengzhong Tech Co., Ltd and. Zhejiang Xbean Tech Co., Ltd qualify as Small and micro enterprises in the PRC, and are entitled to pay a reduced income tax rate of 2.5%, 2.5% and 5% in 2022 and 2023.

Income tax expenses for the three months ended March 31, 2023 and 2022 are nil.

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

	For the Three Months Ended March 31,	
	2023	**2022**
PRC	$ (1,778,180)	(1,712,432)
US	(3,554,955)	(3,122,402)
Europe	(2,904,320)	(44,753)
Australia	(2,606,972)	(4,468,782)
Others	(269,550)	-
Total	$ (11,113,977)	(9,348,369)

(Expressed in U.S. dollars, except for number of shares)

NOTE 11 - 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, 2023	For the Three Months Ended March 31, 2022
Operating leases cost excluding short-term rental expense	$ 671,313	$ 238,569
Short-term lease cost	268,721	58,096
Total	**$ 940,034**	$ 296,665

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

	March 31, 2023	March 31, 2022
Cash paid for amounts included in the measurement of lease liabilities	$ 671,109	$ 112,669
Weighted average remaining lease term	7.26 years	1.78 years
Weighted average discount rate	5.41%	4.08%

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, 2023:

	Operating Leases
For the remaining of 2023	$ 2,156,895
Years ended December 31,	
2024	2,845,452
2025	2,068,015
2026	2,126,623
2027	2,191,533
2028 and thereafter	6,171,223
Total lease payments	17,559,741
Less: imputed interest	3,139,963
Total	14,419,778
Less: current portion	2,779,279
Non-current portion	$ 11,640,499

(Expressed in U.S. dollars, except for number of shares)

NOTE 12 - 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, 2023 are as follows:

	Liability component
As of December 31, 2022	$ 57,372,827
Convertible promissory notes issued during the year	-
Redemption of convertible promissory notes	(39,581,320)
Fair value change recognized	111,767
As of March 31, 2023	17,903,274

The estimated fair value of the Note upon issuance date December 31, 2022 and as of March 31, 2023 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.

(Expressed in U.S. dollars, except for number of shares)

NOTE 12 - CONVERTIBLE PROMISSORY NOTE AND WARRANT (CONTINUED)

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

Fair Value Assumptions - Convertible Promissory Note	March 31, 2023	December 31, 2022
Face value principal payable	17,904,179	57,488,000
Original conversion price	1.2375	1.2375
Interest Rate	8.00%	8.00%
Expected term (years)	0.30	0.55
Volatility	61.54%	75.13%
Market yield (range)	25.12%	18.02%
Risk free rate	4.48%	4.69%
Issue date	July 20, 2022	July 20, 2022
Maturity date	July 19, 2023	July 19, 2023

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, 2023 are as follows:

	Investor warrants component	Placement agent warrants component
As of December 31, 2022	$ 14,334,104	$ 3,456,404
Warrants issued during the year	-	-
Exercise of warrants	(1,955,315)	-
Fair value change recognized	13,843	663
As of March 31, 2023	12,392,632	3,457,067

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

Fair Value Assumptions – Warrants	March 31, 2023	December 31, 2022
Expected term (years)	4.30	4.55
Volatility	75.99%	77.72%
Risk free rate	3.61%	4.13%

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NOTE 13- 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, 2023 and 2022.

	Three months ended March 31, 2023,		Three months ended March 31, 2022,	
Customer	**Amount**	**% of Total**	**Amount**	**% of Total**
A	339,874	10%	-	-
B	100,211	*	291,780	16%
C	-	-	550,954	30%
D	-	-	415,558	23%
Total	$ 440,085	10%	$ 1,450,937	69%

* Indicates below 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, 2023 and December 31, 2022.

	As of March 31, 2023,		As of December 31, 2022,	
Customer	**Amount**	**% of Total**	**Amount**	**% of Total**
C	$ 397,064	*	$ 395,360	16%
E	392,094	*	410,321	16%
F	1,216,491	26%	1,197,023	47%
G	941,745	20%	12,338	*
Total	$ 1,730,903	46%	$ 2,015,042	79%

* Indicates below 10%.

(b) Suppliers

For the three months ended March 31, 2023 and 2022, the Company's material suppliers, each of whom accounted for more than 10% of the Company's total purchases, were as follows:

	Three months ended March 31, 2023,		Three months ended March 31, 2022,	
Supplier	**Amount**	**% of Total**	**Amount**	**% of Total**
A	$ 4,844,671	56%	$ -	-
B	1,938	*	2,975,299	50%
Total	$ 4,846,609	56%	$ 2,975,299	50%

* Indicates below 10%.

The following table sets forth information as to each supplier that accounted for 10% or more of total accounts payable as of March 31, 2023 and December 31, 2022.

	As of March 31, 2023,		As of December 31, 2022,	
Supplier	**Amount**	**% of Total**	**Amount**	**% of Total**
B	$ 422,191	14%	$ 420,100	12%
C	692,528	24%	577,621	17%
Total	$ 1,114,719	38%	$ 997,721	29%

NOTE 14 - 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.

In October 2021, Sevic Systems SE ("Sevic"), a former channel partner, commenced a lawsuit against Shengzhou Machinery, one of Cenntro's wholly owned subsidiaries, relating to a contract for the sale of goods (the "Sevic Lawsuit"). Sevic filed its complaint with the People's Court of Keqiao District, Shaoxing City, Light Textile City (the "People's Court"). In the Sevic Lawsuit, Sevic alleges that the Shengzhou Machinery provided it with certain unmarketable goods and requests that the People's Court (i) terminate two signed purchase orders under its contract with Shengzhou Machinery and (ii) award Sevic money damages for the cost of goods of $465,400, as well as interest and incidental losses, including freight and storage costs, for total damages of approximately $628,109.The Company does not believe that Sevic's claims have any merit and intends to vigorously defend against such 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., an unrelated entity, 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 filed a response in opposition to the motion to dismiss the arbitration demand. As of the date of this report, the parties are awaiting further proceedings under the arbitration process.

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 was alleged to infringe 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 and intends to appeal it, however, the Company has accrued the related liability according to the judgement made.

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 May 28, 2023, Plaintiff filed an amended complaint. On July 20, 2023 the Defendants filed a motion seeking the dismissal of that amended complaint.

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NOTE 15 - 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
Mr. Yeung Heung Yeung	A principal shareholder of the Company
Zhejiang RAP	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited
Jiangsu Rongyuan	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited
Hangzhou Hezhe Energy Technology Co., Ltd (“Hangzhou Hezhe”)	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited
Shenzhen Yuanzheng Investment Development Co. Ltd (“Shenzhen Yuanzheng“)	Controlled by Mr. Yeung Heung Yeung
Shanghai Hengyu Enterprise Management Consulting Co., Ltd (“Shanghai Hengyu”)	Ultimately controlled by Mr. Peter Wang
Antric GmbH	Invested by the Company

Related party transactions

During the three months ended March 31, 2023 and 2022, the Company had the following material related party transactions.

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Purchase of raw materials from related parties		
Hangzhou Hezhe Energy Technology Co., Ltd	$ 79,773	$ 480,672
Payment on the purchase of the raw materials		
Hangzhou Hezhe	54,516	497,194
Repayment interest-bearing Loan from a related party		
Shenzhen Yuanzheng	-	419,276
Mr. Yeung Heung Yeung	-	209,693

Amounts due from Related Parties

The following table presents amounts due from related parties as of March 31, 2023 and December 31, 2022.

	March 31, 2023	December 31, 2022
Hangzhou Hezhe (1)	$ 343,353	$ 366,936
Total	$ 343,353	$ 366,936

(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, 2023 and December 31, 2022.

	March 31, 2023	December 31, 2022
Zhejiang RAP	$ 20,694	$ 23,882
Jiangsu Rongyuan	23,294	23,194
Shanghai Hengyu	2,912	2,900
Antric GmbH	-	666,396
Total	$ 46,900	$ 716,372

NOTE 16 - SUBSEQUENT EVENT

On April 26, 2023, $6,000,000 of convertible promissory notes were redeemed by the investors.

On April 20, 2023, Zhejiang Cenntro Machinery Co., Ltd. has entered an agreement with Changxing County Bureau of Natural Resources and Planning to purchase its land use right, with an area of 12,206 square meters with a useful life of 50 years and the total consideration of RMB1,530,000 (approximately $222,626).

CAC has entered into a lease agreement with BAL Freeway Associates, LLC, a California limited liability company, for its approximate 64,000 square foot portion of a larger 124,850 square foot industrial building located within the Rancon Centre Ontario. The lease term is for five years, starting from April 1, 2023, and ending on March 31, 2028. The monthly rent is $115,200.

CAC has entered into a lease agreement with Sabatino Abogados S.A.S. for its 2,469.27 square meters warehouse located in Columbia. The lease term starts from May 1, 2023 and ends on April 30, 2025. The monthly rent is COP39,324,371 (approximately $9,602).

On June 21, 2022, CAC entered an agreement with Sabatino Abogados S.A.S to acquire lots No. 59, 60, 61 and 62 in Free Trade Zone Zofia, with total area of 7,931.44 square meters and total consideration of COP 4,362,292,000 (approximately $1,063,271). On April 27, 2023, the public deeds of purchase of lots No. 59, 60, 61 and 62 located in the Zofia Free Trade Zone were signed. On June 23 and June 28, 2023, the certificates of Lot 59 and Lot 61 were registered.

Zhejiang Cenntro Machinery Co., Ltd. signed a series of contracts with Huzhou Linhai Construction Co., Ltd. of renovation of its factory, with the total contracts amount of RMB16,132,000 (approximately $2,349,001). Subsequently through the date of issuance of the condensed consolidated financial statements, RMB14,093,080 (approximately $2,052,111) has been paid to the constructor.

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

CENNTRO ELECTRIC GROUP LIMITED

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 Electric Group Limited ACN 619 054 938 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.

All amounts in the MD&A have been rounded to the nearest thousand unless otherwise indicated.

A. Key Components of Results of Operations

Net revenues

Up until the end of December 31, 2021, 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. Historically (i.e. up until end of 2021), our vehicle revenues were generated mainly by the sale of the Metro®. By the end of 2021, we began generating revenue from the sales of the Logistar™ 200 in Europe.

Net revenues for the three months of 2023 and 2022 were generated from (a) vehicles sales, which primarily represent net revenues from sales of Metro® vehicles (including vehicle kits), Logistar™ 200, Logistar™ 260 and Logistar™ 100, (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 less 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 Expenses

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 expect our selling and marketing expenses to increase as we introduce our new ECV models, further develop additional local dealership and service support networks to augment our expanding sales globally.

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 will continue to monitor general and administrative expenses, we expect general and administrative expenses to materially increase over the next two years in connection with the execution of our growth strategy, including the regionalization of our manufacturing and supply chain and expanded product offerings and expenses relating to being a public company.

Provision for doubtful accounts

A provision for doubtful accounts is recorded for periods in which we determine a loss is probable, based on our assessment of specific factors, such as troubled collections, historical experience, accounts aging, ongoing business relations and other factors. Account balances are charged off against the provision after all means of collection 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, 2023 and 2022,.

	Three Months ended March 31,	
	2023	**2022**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Gross margin of vehicle sales	1.63%	19.7%

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,	
	2023	**2022**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Combined Statements of Operations Data:		
Net revenues	3,470,544	1,830,633
Cost of goods sold	(3,275,800)	(1,467,603)
Gross profit/(loss)	**194,744**	**363,030**
Operating Expenses:		
Selling and marketing expenses	(1,868,985	(1,095,108)
General and administrative expenses	(7,333,895)	(8,211,831)
Research and development expenses	(1,569,919)	(425,359)
Impairment of PPE	(24,369)	-
Total operating expenses	(10,797,168)	(9,732,298)
Loss from operations	**(10,602,424)**	**(9,369,268)**
Other Income (Expense):		
Interest expense, net	(54,415)	64,201
(Loss) Income from equity method investments	19,042	5,937
Other (expense) income, net	358,075	(49,239)
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	(126,272)	-
Change in fair value of equity securities	653,016	-
Impairment of Long-term investments	(1,146,128)	-
Loss before income taxes	**(11,113,977)**	**(9,348,369)**
Income tax expense	—	—
Net loss	**(11,113,977)**	**(9,348,369)**
Less: net loss attributable to non-controlling interests	(156,028)	(36,719)
Net loss attributable to shareholders of the Company	**(10,957,949)**	**(9,311,650)**

Comparison of the Three Months Ended March 31, 2023 and 2022

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,			
	2023		2022	
	Amount	%	Amount	%
(Expressed in U.S. Dollars)	(Unaudited)			
Net revenues:				
Vehicle Sales	$ 2,840,963	81.9%	$ 1,718,371	93.9%
Spare-part sales	598,036	17.2%	101,424	5.5%
Other sales	31,545	0.9%	10,838	0.6%
Total net revenues	$ 3,470,544	100.00%	$ 1,830,633	100.00%

Net revenues for the three months ended March 31, 2023 were approximately $3.5 million, an increase of approximately $1.6 million or 89.6% from approximately $1.8 million for the three months ended March 31, 2022. The increase in net revenues in 2023 was primarily attributed to an increase in vehicle sales by approximately $1.1 million due to the improvement of average selling price from approximately $11,380 to $22,000 and an increase in spare-part sales by approximately $0.5 million.

For the three months ended March 31, 2023, we sold 129 ECVs, including 17 fully assembled Metro® units, 48 fully assembled Logistar™ 200, 39 fully assembled Logistar™ 100, one fully assembled Teemak™ and 24 fully assembled Logistar™ 260, compared with 151 ECVs for the three months ended March 31, 2022, including 40 fully assembled Metro® vehicle units, 48 vehicle kits, 62 fully assembled Logistar™ 200 units and one fully assembled Neibor® 150 unit.

Geographically, the vast majority of our net revenues were generated from vehicle sales in the European Union during the three months ended March 31, 2023 and 2022. For the three months ended March 31, 2023, net revenues from Europe, North America, and Asia (including China) as a percentage of total revenues was 88.2%, 0.9%, and 10.9%, respectively, compared to 33.7%, 22.8%, and 43.5%, respectively for the corresponding period in 2022.

For the three months ended March 31, 2023, net revenues from vehicle sales in Europe, North America, and Asia (including China) as a percentage of total vehicle net revenues was 93.8%, 1.1%, and 5.1%, respectively, compared to 35.3%, 24.2%, and 40.5%, respectively, for the corresponding period in 2022.

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,			
	2023		2022	
	Amount	%	Amount	%
(Expressed in U.S. Dollars)	(Unaudited)			
Cost of goods sold:				
Vehicle Sales	$ (2,794,761)	85.3%	$ (1,379,605)	94.0%
Spare-part sales	(464,224)	14.2%	(98,024)	6.7%
Other sales	(16,814)	0.5%	10,025	-0.7%
Inventory write-down	-	-	-	-
Total cost of goods sold	$ (3,275,799)	100.00%	$ (1,467,603)	100.00%

Cost of goods sold for the three months ended March 31, 2023 was approximately $3.3 million, an increase of approximately $1.8 million or approximately 123.2% from approximately $1.5 million for the three months ended March 31, 2022. The increase of cost of vehicle sales was mainly caused by the increased per vehicle cost of Logistar® 200 model, and the increase of per vehicle cost of the Metro® model with additional features were sold during the year 2022. The increase cost per vehicle was also partly attributable to the additional ocean shipping between continents, as the Company shift from recognizing revenue with FOB terms to recording revenue on local direct pricing in the European and the US market which covered ocean shipping.

Gross Profit/(Loss)

Gross loss for the three months ended March 31, 2023 was approximately $0.2 million, a decrease of approximately $0.2 million from approximately $0.4 million of gross profit for the three months ended March 31, 2022. For the three months ended March 31, 2023 and 2022, our overall gross margin was approximately 5.6% and 19.8%, respectively. Our gross margin of vehicle sales for the three months ended March 31, 2023 and 2022 was 1.63% and 19.7%, respectively. The decrease of our gross profit was caused by (i) the realized gross margin of our new model Logsitar®200 expending its market in Europe in 2023 was approximately 3.5% compared to a gross margin of approximately 12.7% in the same period of 2022. The company adopts a competitive pricing strategy for Logsitar®200 to gain market acceptance. (ii) Our newly introduced model LS100, LS260, and Teemak which only began testing the market in 2023 earned negative gross margins of approximately 3.6%, 8.4% and 8.2%, respectively.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended March 31, 2023 were approximately $1.9 million, an increase of approximately $0.8 million or approximately 70.7% from approximately $1.1 million for the three months ended March 31, 2022. The increase in selling and marketing expenses in 2023 was primarily attributed to the increase in salary expenses and share-based compensations of approximately $0.5 million and $0.2 million respectively.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2023 were approximately $7.3 million, a decrease of approximately $0.9 million or approximately 10.7% from approximately $8.2 million for the three months ended March 31, 2022. The decrease in general and administrative expenses in 2023 was primarily attributed to a decrease in others of approximately $2.4 million, which mainly consists of one-off fees of approximately $1.8 million related to the divestment of FOH, offset by the increase in share-based compensation and office expenses of approximately $0.7 million and $0.8 million respectively.

Research and Development Expenses

Research and development expenses for the three months ended March 31, 2023 were approximately $1.6 million, an increase of approximately $1.1 million or approximately 269.1% from approximately $0.4 million for the three months ended March 31, 2022. The increase in research and development expenses in 2023 was primarily attributed to the increase in design and development expenditures and salary expense of approximately $0.5 million and $0.6 million respectively.

Interest income (expense), net

Interest expense, net, mainly consists of interest on convertible bonds. Net interest expense was approximately $0.05 million for the three months ended March 31, 2023, an increase of approximately $0.1 million or approximately 184.8% compared to the approximately $0.06 million in interest income for the three months ended March 31, 2022. The increase was primarily attributable to (i) an increase in interest expense to convertible bonds of approximately $0.4 million (ii) offset by the increase in interest income of approximately $0.2 million from bank deposit and $0.1 million from HWE. Loans from related parties and third parties were fully settled as of April 13, 2023.

Other income (expense), net

Other income, net for the three months ended March 31, 2023 was approximately $0.4 million, representing a change of approximately $0.4 million compared to approximately $0.05 million of other expense, net for the three months ended March 31, 2022. The change of other income in 2023 compared to 2022 was primarily attributable to (i) an increase of approximately $0.2 million in investment income from the Company's fund investments and invested financial products during the first quarter in 2023, (ii) an increase of approximately $0.1 million in gains on foreign currency exchange, and (iii) an increase of approximately $0.1 million in subsidy income from the government.

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, 2023 was approximately $0.1 million. The increased liability derived from fair value change was primarily caused by the continuing underperformance of the Company's stock price, which increased the probability of exercising the mandatory redemption rights of the Company's convertible promissory notes and cashless exercising the warrants.

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, 2023 was approximately $0.7 million. The gain was attributed to an upward adjustment of approximately $0.4 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 and 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, 2023 and 2022

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 TME Acquisition, expenses related to one-off payment inherited from the original Naked Brand Group, impairment of goodwill, convertible bond issuance fee, 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,	
	2023	**2022**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Net loss	$ (11,113,977)	$ (9,348,369)
Interest expense, net	54,415	(64,201)
Income tax expense	—	—
Depreciation and amortization	330,632	140,430
Share-based compensation expense	1,153,808	199,416
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	126,272	-
Expenses related to one-off payment inherited from the original Naked Brand Group		8,299,178
Adjusted EBITDA	$ (9,233,979)	$ (773,546)

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, 2023, we had approximately $91.8 million in cash and cash equivalents and approximately $2.7 million of accounts receivables as compared to approximately $203.5 million in cash and cash equivalents and $2.4 million in accounts receivable as of March 31, 2022. For the three months ended March 31, 2023 and 2022, net cash used in operating activities was approximately $17.4 million and $23.5 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 in North America and Europe, as applicable, (ii) the establishment of local assembly facilities in the United States and the European Union and (iii) additional plants and equipment for the expansion of our Changxing factory. 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, 2023, we have spent over approximately $83.1 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, 2023, our working capital was approximately $117.2 million, as compared to a working capital of approximately $233.2 million as of March 31, 2022. The approximately $116.0 million decrease in working capital during 2023 was primarily due to (i) the decrease of cash and cash equivalents and prepayment and other current assets of approximately $111.6 million and $1.9 million respectively, offset by the increase in inventories and convertible bonds of approximately $16.3 million and $17.9 million respectively and (ii) a decrease in accounts and notes payable of approximately $1.8 million.

Cash Flow

	Quarter Ended March 31,	
	2023	**2022**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Net cash used in operating activities	$ (17,363,332)	$ (23,486,437)
Net cash (used in) provided by investing activities	(5,493,759)	(3,972,528)
Net cash provided by financing activities	(39,583,321)	(30,234,533)
Effect of exchange rate changes on cash	283,807	97,755
Net (decrease) increase in cash, cash equivalents, and restricted cash	(62,156,605)	(57,595,743)
Cash and cash equivalents, and restricted cash at beginning of the year	154,096,801	261,664,962
Cash and cash equivalents, and restricted cash at end of the period	$ 91,940,195	$ 204,069,218

Operating Activities

Our net cash used in operating activities was approximately $17.4 million, $23.5 million for the three months ended March 31, 2023 and 2022, respectively.

Net cash used in operating activities for the three months ended March 31, 2023 was primarily attributable to (i) our net loss of approximately $11.1 million and adjusted for non-cash items of approximately $3.3 million, which primarily consisted of impairment of long-term investments, share based compensation expense, depreciation and amortization and amortization of operating lease right-of-use asset of approximately $1.1 million, $1.2 million, $0.3 million and $0.7 million, respectively, (ii) the increase in inventories, accounts receivable, accrued expense and other current liabilities and operating lease liabilities and of approximately $4.5 million, $2.2 million, $1.5 million and $0.7 million, respectively, (iii) decrease in accounts payable of $0.7 million.

Investing Activities

Net cash used in investing activities was approximately $5.5 million for the three months ended March 31, 2023. Net cash used in investing activities for the three months ended March 31, 2023 was primarily attributable to cash paid purchase for land use rights and property of approximately $0.3 million, additions in long-term investments as a minority interest of approximately $0.6 million, approximately $2.6 million in purchase of plant and equipment and approximately $1.9 million net cash paid in acquisition of 35% of CAE's share and including related expenses.

Financing Activities

Net cash provided by financing activities was approximately $39.6 million for the three months ended March 31, 2023. Net cash provided by financing activities for the three months ended March 31, 2023 was primarily attributable to approximately $39.6 million paid due to redemption of convertible bonds.

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.

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 €238,800 (or approximately $210,991) for the lease term.

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 January 20, 2023, we signed a non-cancellable operating lease agreement for approximately 2,691 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 February 14, 2023, we signed a non-cancellable operating lease agreement for approximately 27,222 square feet for the production in Germany and other European regions in Dusseldorf, Germany. The lease period for lease agreement began on February 14, 2023 and ends three years, we renewed for two years in advance. The monthly rent is €19,900 (or approximately $21,352.7) and the annual increase depends on the consumer price index.

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 39,324,371 (or approximately $8,265.0) 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.

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, 2023, included elsewhere in this Annual 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, 2022, which has been derived from audited financial statements, and the unaudited condensed consolidated financial statements as of March 31, 2023 and for the three months ended March 31, 2023 and 2022 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, 2022. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results for the full year or any future periods

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company's 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, and the reported amounts of revenue and expenses during the reporting period. The Company continually evaluates these estimates and assumptions based on the most recently available information, historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Significant accounting estimates reflected in the Company's consolidated and combined financial statements include, but are not limited to, estimates and judgments applied in determination of 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. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

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 and other current assets, accounts payable, accrued expenses and other current liabilities and amount due from and due to related party, current 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.

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 convertible promissory notes due to the complexity of the various conversion and settlement options available to notes holders.

The convertible promissory notes 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 income (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 private equity funds, which represent the investment in equity securities on the consolidated balance sheet.

Business combination

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations." The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers, liabilities incurred by the Company and equity instruments issued by the Company. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the acquisition date amounts of the identifiable net assets of the acquiree is recorded as goodwill.

Cash and cash equivalents and restricted cash

The Company considers highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Restricted cash consists of cash restricted as to withdrawal or use. Such restricted cash relates to certain credit card and lease guarantees.

Revenue recognition

We adopted ASC Topic 606 Revenue from Contracts with Customers with a date of the initial application of January 1, 2018 using the modified retrospective method.

We recognize revenue when goods or services are transferred to customers in an amount that reflects the consideration which we expect to receive in exchange for those goods. In determining when and how revenue is recognized from contracts with customers, we perform 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) we satisfy each performance obligation.

We generate 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 we have determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the performance obligation is fulfilled, usually at the time of delivery, at the net sales price (transaction price). Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. 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.

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.

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 property, plant and equipment, manufacturing waste treatment processing fees and inventory write-downs.

Government grants

The Company's PRC based subsidiaries received government subsidies from certain local governments. The Company's government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has provided for a specific purpose, such as land fulfillment costs. Other subsidies are the subsidies that the local government has not specified its purpose for and are not tied to future trends or performance of the Company, receipt of such subsidy income is not contingent upon any further actions or performance of the Company and the amounts do not have to be refunded under any circumstances.

Specific subsidies relating to land use rights are accounted for as an income with the subsidy benefit reflected over the related asset useful life. Other subsidies are recognized as other income upon receipt as further performance by the Company is not required.

Accounts receivable and provision for doubtful accounts

Accounts receivable are recognized and carried at net realizable value. Provision for doubtful accounts is recorded for periods in which we determine a loss is probable, based on its assessment of specific factors, such as troubled collections, historical experience, accounts aging, ongoing business relations and other factors. Account balances are charged off against the provision after all means of collection have been exhausted and the potential for recovery is considered remote.

There is no provision for the three months ended March 31, 2023 and 2022.

Inventories

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 comprises direct materials, direct labor cost and an appropriate proportion of overhead. Net realizable value is based on estimated selling prices less 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 consolidated and combined statements of operations and comprehensive loss.

There is no inventories written down for the three months ended March 31, 2023 and 2022.

Investment in equity securities

For investments in equity securities with a variable interest rate indexed to the performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in fair values are reflected in the consolidated statements of operations and comprehensive loss.

The Company determines the appropriate classification of its investments in equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. The private equity funds are measured at fair value with gains and losses recognized in earnings. As a practical expedient, the Company uses Net Asset Value ("NAV") or its equivalent to measure the fair value of the Fund.

The Company evaluates whether an investment is other-than-temporarily impaired based on the specific facts and circumstances. Factors that are considered in determining whether an other-than-temporary decline in value has occurred include the market value of the security in relation to its cost basis, the financial condition of the investee, and the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment.

Property, plant and equipment, net

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment. Depreciation is calculated over the asset's estimated useful life, using the straight-line method. Leasehold improvements are amortized over the life of the asset or the term of the lease, whichever is shorter. Estimated useful lives are as follows:

Buildings	20 years
Machinery and equipment	5-10 years
Office equipment	5 years
Motor vehicles	3-5 years
Leasehold improvement	3-10 years
Others	3 years

The Company reassesses the reasonableness of the estimates of useful lives and residual values of long-lived assets when events or changes in circumstances indicate that the useful lives and residual values of a major asset or a major category of assets may not be reasonable. Factors that the Company considers in deciding when to perform an analysis of useful lives and residual values of long-lived assets include, but are not limited to, significant variance of a business or product line in relation to expectations, significant deviation from industry or economic trends, and significant changes or planned changes in the use of the assets. The analysis will be performed at the asset or asset category with the reference to the assets' conditions, current technologies, market, and future plan of usage and the useful lives of major competitors.

The costs and related accumulated depreciation of assets sold or otherwise retired are eliminated from the Company's accounts and any gain or loss is included in the consolidated and combined statements of operations and comprehensive loss. The cost of maintenance and repair is charged to expenses as incurred, whereas significant renewals and betterments are capitalized.

The Company constructs certain of its property including recodifications and improvement of its office buildings and plant. Depreciation is recorded at the time assets are ready for the intended use.

Intangible assets, net

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets are amortized using the straight-line approach over the estimated economic useful lives of the assets as follows:

Category	**Estimated useful life**
Land use rights	45.75 years
Software	3 years

Impairment of long-lived assets

The Company evaluates 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. The Company measures 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. The impairment test is performed at the asset group level. Impairment loss for long-lived assets of $1,170,497 and nil were recorded in the Company's consolidated and combined statements of operations and comprehensive loss for the three months ended March 31, 2023 and 2022, respectively.

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination. Goodwill acquired in a business combination is tested for impairment at least annually or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. The Company performs impairment analysis on goodwill as of December 31 every year either beginning with a qualitative assessment, or starting with the quantitative assessment instead. The quantitative goodwill impairment test compares the fair values of each reporting unit to its carrying amount, including goodwill. A reporting unit constitutes a business for which discrete profit and loss financial information is available. The fair value of each reporting unit is established using a combination of expected present value of future cash flows. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The Company adopted ASU No. 2017-14, simplifying the Test for Goodwill Impairment on January 1, 2022. The Company has the option to choose whether it will apply the qualitative assessment first and then the quantitative assessment, if necessary, or to apply the quantitative assessment directly. If the Company chooses to apply a qualitative assessment first, it starts the goodwill impairment test by assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of comparison of the fair value of a reporting unit to its carrying amount.

Application of a goodwill impairment test requires significant management judgments, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

There is no impairment loss for goodwill for the three months ended March 31, 2023 and 2022.

Investment in equity investees

Equity method investments, net

The Company had the following equity method investments:

	March 31, 2023	December 31, 2022
Antric GmbH (1)	$ 1,556,672	$ 2,674,500
Hangzhou Entropy Yu Equity Investment Partnership (Limited Partnership) (“Entropy Yu”) (2)	2,199,016	2,189,570
Hangzhou Hezhe Energy Technology Co., Ltd. (“Hangzhou Hezhe”) (3)	391,088	367,272
Able 2rent GmbH (DEU) (4)	92,736	94,399
Total	$ 4,239,512	$ 5,325,741

(1) On December 16, 2022, the Company invested EUR2,500,000 (approximately $2,718,000) in Antric GmbH to acquire 25% of its equity interest. The Company accounts for the investment under the equity method because the Company controls 25% of voting interests, and has the ability to exercise significant influence over Antric GmbH. For the three months ended March 31, 2023, the Company recorded impairment on investment of Antric GmbH of $1,146,128.

(2) On September 25, 2022, the Company invested RMB15,400,000 (approximately $2,242,414) 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.

(3) On June 23, 2021, the Company invested RMB2,000,000 (approximately $291,223 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.

(4) On March 22, 2022, CAE invested EUR100,000 (approximately $108,720 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.

Equity investment without readily determinable fair value

	March 31, 2023	December 31, 2022
HW Electro Co., Ltd. (1)	1,000,000	-
Total	$ 1,000,000	$ -

(1) On January 31, 2023, the Company entered into a convertible debt agreement with HW Electro Co., Ltd., to convert the loan principal of $1,000,000 into 571,930 shares of HW Electro Co., Ltd.’s for a total of 3.59% of its equity interest.

Income taxes

The Company accounts for income tax using an asset and liability approach, which allows for the recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted tax rates in effect for the years in which the differences are expected to reverse. The accounting for deferred tax calculation represents management’s best estimate of the most likely future tax consequences of events that have been recognized in our financial statements or tax returns and related future anticipation. A valuation allowance is recorded to reduce the deferred tax assets to an amount that is more likely than not to be realized after considering all available evidence, both positive and negative.

Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. As part of the process of preparing financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. The Company accounts for income taxes using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Net operating losses are carried forward and credited by applying enacted statutory tax rates applicable to future years when the reported amounts of the asset or liability are expected to be recovered or settled, respectively. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as non-current. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

As required by applicable tax law, interest on non-payment of income taxes and penalties associated with tax positions when a tax position does not meet the minimum statutory threshold to avoid payment of penalties recognized, if any, will be classified as a component of the provisions for income taxes. The tax returns of the Company's Hong Kong and PRC subsidiaries are subject to examination by the relevant local tax authorities. According to the Departmental Interpretation and Practice Notes No.11 (Revised) of the Hong Kong Inland Revenue Ordinance (the "HK tax laws"), an investigation normally covers the six years of the assessment prior to the year of the assessment in which the investigation commences. In the case of fraud and willful evasion, the investigation is extended to cover ten years of assessment. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB100,000. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. U.S. federal tax matters are open to examination for years 2014 through 2022. For the three months ended March 31, 2023 and 2022, the Company did not have any material interest or penalties associated with tax positions. The Company did not have any significant unrecognized uncertain tax positions as of March 31, 2023 or 2022. The Company does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months.

Foreign currency translation and transaction

The consolidated and combined financial statements are presented in United States dollars ("USD" or "$"). The functional currency of certain of CEGL's PRC subsidiaries is the Renminbi ("RMB"). The functional currency of CEA is the EUR, and CEGL and its other subsidiaries outside of PRC is the USD.

Assets and liabilities are translated at the exchange rates as of balance sheet date. Income and expenditures are translated at the average exchange rate of the reporting period. Capital accounts of the consolidated and combined financial statements are translated into USD from RMB at their historical exchange rates when the capital transactions occurred. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of accumulated other comprehensive loss in the balance sheets. The rates are obtained from H.10 statistical release of the U.S. Federal Reserve Board.

	For the Three Months Ended March 31,	
	2023	2022
Period end USD: RMB exchange rate	6.8676	6.3393
Average USD: RMB exchange rate	6.8423	6.3478
Period end USD: EUR exchange rate	0.9198	0.9015
Average USD: EUR exchange rate	0.9320	0.8916

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from re-measurement at year-end are recognized in foreign currency exchange gain/loss, net on the consolidated and combined statement of operations.

Comprehensive loss

Comprehensive loss includes all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive loss are required to be reported in a financial statement that is presented with the same prominence as other financial statements. For the years presented, comprehensive loss includes net loss and the foreign currency translation changes.

Segments

In accordance with ASC 280-10, Segment Reporting, the Company's chief operating decision maker ("CODM"), identified as the Company's Chief Executive Officer, relies upon the consolidated and combined results of operations as a whole when making decisions about allocating resources and assessing the performance of the Company. As a result of the assessment made by CODM, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting.

Share-based compensation expense

The Company's share-based compensation expenses are recorded in accordance with ASC 718 and ASC 710.

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

The estimate of forfeiture rate will be adjusted over the requisite service period to the extent that the actual forfeiture rate differs, or is expected to differ, from such estimates. Changes in estimated forfeiture rate will be recognized through a cumulative catch-up adjustment in the period of change.

Derivative liability

Warrants recorded as liabilities at fair value in accordance with ASC 480 "Distinguishing Liabilities from Equity". The liability remeasured every reporting period with any change to fair value recorded in the consolidated and combined statements of operations.

Operating lease

The Company adopted the new lease accounting standard, ASC Topic 842, Leases ("ASC 842") as of January 1, 2019, using the non-comparative transition option pursuant to ASU 2018-11. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things (i) allowed the Company to carry forward the historical lease classification; (ii) did not require the Company to reassess whether any expired or existing contracts are or contain leases and (iii) did not require the Company to reassess initial direct costs for any existing leases. Therefore, the Company did not consider its existing land use right that was not previously accounted for as leases under Topic 840. For all operating leases except for short-term leases, the Company recognized operating right-of-use assets and operating lease liabilities. Leases with an initial term of 12 months or less were short-term leases and not recognized as right-of-use assets and lease liabilities on the consolidated and combined balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments. As the interest rate implicit in the Company's leases is not readily determinable, the Company utilizes its incremental borrowing rate, determined by class of underlying asset, to discount the lease payments. The operating lease right-of-use assets also include lease payments made before commencement and exclude lease incentives. Some of the Company's lease agreements contained renewal options; however, the Company did not recognize right-of-use assets or lease liabilities for renewal periods unless it was determined that the Company was reasonably certain of renewing the lease at inception or when a triggering event occurred. The Company's lease agreements did not contain any material residual value guarantees or material restrictive covenants.

Non-controlling Interest

A non-controlling interest in subsidiaries represents the portion of the equity (net assets) in the subsidiaries not directly or indirectly attributable to the Company’s shareholders. Non-controlling interests are presented as a separate component of equity on the consolidated balance sheets and consolidated and combined statements of operations and other comprehensive loss are attributed to controlling and non-controlling interests.

Recently issued accounting standards pronouncements

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, “Financial Instruments - Credit Losses (Topic 326)” (“ASU 2016-13”). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842).” ASU 2019-10 deferred the effective date of ASU 2016-13 for all other companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. In addition, the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) provides that emerging growth companies (“EGC”) can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company currently qualifies as an EGC as defined in the JOBS Act, and has adopted this standard beginning on January 1, 2023. The impact of adoption of ASU No. 2016-13 is not material on the Company’s consolidated and combined financial statements. In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” and issued subsequent amendment which refines the scope of the ASU and clarifies some of its guidance as part of the FASB’s monitoring of global reference rate reform activities in January 2021 within ASU 2021-01 (collectively, including ASU 2020-04, “ASC 848”). ASC 848 provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASC 848 are effective for us from January 1, 2020 through December 31, 2022. The Company has elected the optional expedients for certain existing interest rate swaps that are designated as cash flow hedges, which did not have a material impact on the consolidated and combined financial statements.

In October 2021, the FASB issued ASU 2021-08, which amends ASC 805 to “require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination.” Under current GAAP, an acquirer generally recognizes such items at fair value on the acquisition date. According to the FASB, this update is intended “to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the following: a) Recognition of an acquired contract liability; b) Payment terms and their effect on subsequent revenue recognized by the acquirer.” For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments in this update should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently evaluating the impact of this update on its consolidated and combined financial statements.

Other accounting pronouncements that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company’s consolidated and combined financial statements upon adoption.

The following table reconciles the Company's balance sheet under U.S. GAAP with its balance sheet under IFRS as of 31 March 2023 and audited balance sheet as of 31 December 2022, respectively.

	For the Periods Ended					
	Unaudited 31 March 2023			31 December 2022		
Balance Sheet:	**U.S. GAAP**	**IFRS Difference**	**IFRS**	**U.S. GAAP**	**IFRS Difference**	**IFRS**
Current assets						
Cash and cash equivalents	91,847,734	-	91,847,734	153,966,777	-	153,966,777
Restricted cash	92,461	-	92,461	130,024	-	130,024
Accounts receivable, net	2,732,834	-	2,732,834	565,398	-	565,398
Inventories	36,546,917	-	36,546,917	31,843,371	-	31,843,371
Prepayment and other current assets	15,596,764	-	15,596,764	16,138,330	-	16,138,330
Deferred cost-current	20,026	-	20,026	-	-	-
Amount due from related parties	343,353	-	343,353	366,936	-	366,936
Total current assets	**147,180,089**	**-**	**147,180,089**	**203,010,836**	**-**	**203,010,836**
Non-current assets						
Long-term investment, net	5,239,512	-	5,239,512	5,325,741	-	5,325,741
Investment in equity securities	30,412,211	-	30,412,211	29,759,195	-	29,759,195
Property, plant and equipment, net	17,265,446	-	17,265,446	14,962,591	-	14,962,591
Intangible assets, net	4,558,185	-	4,558,185	4,563,792	-	4,563,792
Right-of-use assets	13,865,063	-	13,865,063	8,187,149	-	8,187,149
Deferred cost- non-current	243,251	-	243,251	-	-	-
Other non-current assets, net	2,306,597	-	2,306,597	2,039,012	-	2,039,012
Total non-current assets	**73,890,265**	**-**	**73,890,265**	**64,837,480**	**-**	**64,837,480**
Total assets	**221,070,354**	**-**	**221,070,354**	**267,848,316**	**-**	**267,848,316**
Current liabilities						
Accounts payable	2,899,119	-	2,899,119	3,383,021	-	3,383,021
Accrued expense and other current liabilities	3,668,415	-	3,668,415	5,048,641	-	5,048,641
Contractual liabilities	2,656,151	-	2,656,151	2,388,480	-	2,388,480
Operating lease liabilities, current	2,779,279	-	2,779,279	1,313,334	-	1,313,334
Convertible promissory notes	17,903,274	-	17,903,274	57,372,827	-	57,372,827
Deferred government grant, current	56,009	-	56,009	26,533	-	26,533
Amount due to related parties	46,900	-	46,900	716,372	-	716,372
Total current liabilities	**30,009,147**	**-**	**30,009,147**	**70,249,208**	**-**	**70,249,208**
Non-current liabilities						
Deferred government grant, non-current	1,036,172	-	1,036,172	497,484	-	497,484
Derivative liability - investor warrant	12,392,632	-	12,392,632	14,334,104	-	14,334,104
Derivative liability - placement agent warrant	3,457,067	-	3,457,067	3,456,404	-	3,456,404
Operating lease liabilities, non-current	11,640,499	-	11,640,499	7,421,582	-	7,421,582
Total non-current liabilities	**28,526,370**	**-**	**28,526,370**	**25,709,574**	**-**	**25,709,574**
Total liabilities	**58,535,517**	**-**	**58,535,517**	**95,958,782**	**-**	**95,958,782**
Equity						
Ordinary shares (No par value; 304,449,091 and 300,841,995 shares issued and outstanding as of 31 March 2023 and 31 December 2022, respectively)	-	-	-	-	-	-
Additional paid-in capital	398,262,089	183,529,388(1)	581,791,477	397,497,817	182,125,475(1)	579,623,292
Accumulated other comprehensive loss	(4,945,127)	4,945,127	-	(5,306,972)	5,306,972	-
Reserves	-	20,955,416(2)	20,955,416	-	21,997,484(2)	21,997,484
Accumulated deficit	(230,782,125)	(209,429,931)	(440,212,056)	(219,824,176)	(209,429,931)	(429,254,107)
Total Stockholders' Equity	**162,534,837**	**-**	**162,534,837**	**172,366,669**	**-**	**172,366,669**
Non-controlling interests	-	-	-	(477,135)	-	(477,135)
Total Equity	**162,534,837**	**-**	**162,534,837**	**171,889,534**	**-**	**171,889,534**
Total Liabilities and Equity	**221,070,354**	**-**	**221,070,354**	**267,848,316**	**-**	**267,848,316**

(1) Includes (i) $(28,458,264) (2022: $(27,304,456)) in share-based compensation payments. (ii) $2,557,721 recognized in 2023 from the acquisition of 35% of CAE's equity interest, and (iii) additional equity of $209,429,931 recognized in 2021 from the difference between the deemed transaction price and net assets acquired related to the Combination under IFRS.

(2) Includes (i) a reclassification of Accumulated other comprehensive loss under U.S. GAAP of $(4,945,127) (2022: $(5,306,972)), (ii) a reclassification of Additional paid-in capital under U.S. GAAP of $28,458,264 (2022: $27,304,456) in share-based compensation payments to Reserves under IFRS, and (iii) a reclassification of Additional paid-in capital under U.S. GAAP of $(2,557,721) recognized in 2023 from the acquisition of 35% of CAE's equity interest to Reserve under IFRS.

The following table reconciles the Company's statement of operations under U.S. GAAP for the three months ended 31 March 2023 and 2022 with its statement of operations under IFRS for the three months ended 31 March 2023 and 2022, respectively.

As set forth below, the material differences between the U.S. GAAP and IFRS presentation with respect to the Group's combined balance sheet as of 31 March 2023 and combined balance sheet as of 31 December 2022 are as follows:

a) The reclassification of "Accumulated other comprehensive loss" under U.S. GAAP to "Reserves" under IFRS;
b) The reclassification of amounts of share-based payments from "Additional paid-in capital" under U.S. GAAP to "Reserves" under IFRS;
c) The reclassification of the amount recognized from the acquisition of 35% of CAE's equity interest from "Additional paid-in capital" under U.S. GAAP to "Reserves" under IFRS; and
d) Additional equity recognized from the difference between the total deemed transaction price and net assets acquired related to the Combination under IFRS.
e) In 2021, the Company was deemed to have incurred non-cash listing costs of approximately $209.4 million as a result of the IFRS accounting treatment of the Combination, as Cenntro was deemed to have received a 67% controlling interest in CEGL (formerly NBG) and the Group was deemed to have incurred listing costs equaling the difference between the total deemed transaction price and total net assets. Under U.S. GAAP, the Combination is accounted for as a reverse recapitalization, which is equivalent to the issuance of shares by Cenntro for the net assets of CEGL (formerly NBG), accompanied by a recapitalization).

As set forth below, there is no difference between the U.S. GAAP and IFRS presentation as it relates to our combined statement of operations and comprehensive loss for the year ended 31 March 2023.

	For the Three Months Ended					
	Unaudited 31 March 2023			Unaudited 31 March 2022		
	U.S. GAAP	IFRS Difference	IFRS	U.S. GAAP	IFRS Difference	IFRS
Net revenues	3,470,544	-	3,470,544	1,830,633	-	1,830,633
Cost of goods sold	(3,275,800)	-	(3,275,800)	(1,467,603)	-	(1,467,603)
Gross (Loss) Profit	**194,744**	**-**	**194,744**	**363,030**	**-**	**363,030**
Selling and marketing expenses	(1,868,985)	-	(1,868,985)	(1,095,108)	-	(1,095,108)
General and administrative expenses	(7,358,264)	-	(7,358,264)	(8,211,831)	-	(8,211,831)
Research and development expenses	(1,569,919)	-	(1,569,919)	(425,359)	-	(425,359)
Total operating expenses	**(10,797,168)**	**-**	**(10,797,168)**	**(9,732,298)**	**-**	**(9,732,298)**
Loss from operations	**(10,602,424)**	**-**	**(10,602,424)**	**(9,369,268)**	**-**	**(9,369,268)**
Interest (expense) income, net	(54,415)	-	(54,415)	64,201	-	64,201
Income from long-term investment	19,042	-	19,042	5,937	-	5,937
Impairment of long-term investment	(1,146,128)		(1,146,128)	-	-	-
Loss on redemption of convertible promissory notes	(2,001)	-	(2,001)	-	-	-
Loss on exercise of warrants	(212,870)		(212,870)	-	-	-
Change in fair value of convertible promissory notes and derivative liability	(126,273)	-	(126,273)	-	-	-
Change in fair value of equity securities	653,016		653,016	-	-	-
Other income (expense), net	358,076	-	358,076	(49,239)	-	(49,239)
Loss before income taxes	**(11,113,977)**	**-**	**(11,113,977)**	**(9,348,369)**	**-**	**(9,348,369)**
Income tax expense	-	-	-	-	-	-
Net loss	**(11,113,977)**	**-**	**(11,113,977)**	**(9,348,369)**	**-**	**(9,348,369)**
Less: net loss attributable to non-controlling interests	(156,028)	-	(156,028)	(36,719)	-	(36,719)
Net loss attributable to the Company's shareholders	**(10,957,949)**	**-**	**(10,957,949)**	**(9,311,650)**	**-**	**(9,311,650)**
					-	
Other comprehensive loss					-	
Foreign currency translation adjustment	337,278	-	337,278	253,156 253,156	-	253,156 253,156
Total comprehensive loss	**(10,776,699)**	**-**	**(10,776,699)**	**(9,095,213)**	**-**	**(9,095,213)**
Less: total comprehensive loss attributable to non-controlling interests	(180,595)	-	(180,595)	(57,588)	-	(57,588)
Total comprehensive loss attributable to the Company's shareholders	**(10,596,104)**	**-**	**(10,596,104)**	**(9,037,625)**	**-**	**(9,037,625)**

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 Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2023, 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, 2023, 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 2022 Form 10-K/A 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 2023 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/A for the fiscal year ended December 31,2022, 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.

In October 2021, Sevic Systems SE ("Sevic"), a former channel partner, commenced a lawsuit against Shengzhou Machinery, one of Cenntro's wholly owned subsidiaries, relating to a contract for the sale of goods (the "Sevic Lawsuit"). Sevic filed its complaint with the People's Court of Keqiao District, Shaoxing City, Light Textile City (the "People's Court"). In the Sevic Lawsuit, Sevic alleges that the Shengzhou Machinery provided it with certain unmarketable goods and requests that the People's Court (i) terminate two signed purchase orders under its contract with Shengzhou Machinery and (ii) award Sevic money damages for the cost of goods of $465,400, as well as interest and incidental losses, including freight and storage costs, for total damages of approximately $628,109. The Company does not believe that Sevic's claims have merit and intends to vigorously defend against such 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., a non-affiliated entity, 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. On February 16, 2023, AAA appointed an 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. As of the date of this report, the parties are awaiting further proceedings under the arbitration process.

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 May 28, 2023, Plaintiff filed an amended complaint. On July 20, 2023 the Defendants filed a motion seeking the dismissal of that amended complaint.

ITEM 1A. RISK FACTORS

You should carefully consider the risks discussed in the section entitled "Risk Factors" in the 2022 Form 10-K/A, which could materially affect our business, financial condition, or future results. The risks described in the 2022 Form 10-K/A 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

None.

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 ELECTRIC GROUP LIMITED

Dated: July 25, 2023.

CENNTRO ELECTRIC GROUP LIMITED

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

By: /s/ Edmond Cheng
Edmond Cheng
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 Electric Group Limited;

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: July 25, 2023

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, Edmond Cheng, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cenntro Electric Group Limited;

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: July 25, 2023

By: /s/ Edmond Cheng
Edmond Cheng
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 Electric Group Limited (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2023 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: July 25, 2023

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

By: /s/ Edmond Cheng
Edmond Cheng
Chief Financial Officer