UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **June 30, 2024**
OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to _______.

Commission file number: 001-38544

CENNTRO INC.

(Exact name of registrant as specified in its charter)

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

501 Okerson Road

Freehold, New Jersey 07728

(Address of principal executive offices, including zip code)

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

The registrant had 30,828,795 of the registrant's common stock par value $0.0001 per share, issued and outstanding as of August 9, 2024.

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Forward-Looking Statements

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

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

- general economic and business conditions, including changes in interest rates;
- prices of other EVs, costs associated with manufacturing EVs and other economic conditions;
- the effect of an outbreak of disease or similar public health threat, such as the COVID-19 pandemic, on the Company's business (natural phenomena, including the lingering effects of the COVID-19 pandemic);
- the impact of political unrest, natural disasters or other crises, terrorist acts, acts of war and/or military operations, and our ability to maintain or broaden our business relationships and develop new relationships with strategic alliances, suppliers, customers, distributors or otherwise;
- breaches in data security, failure of information security systems, cyber-attacks or other security or privacy-related incidents affecting us or our suppliers;
- the ability of our information technology systems or information security systems to operate effectively;
- actions by government authorities, including changes in government regulation;
- uncertainties associated with legal proceedings;
- changes in the size of the EV market;
- future decisions by management in response to changing conditions;
- the Company's ability to execute prospective business plans;
- misjudgments in the course of preparing forward-looking statements;
- the Company's ability to raise sufficient funds to carry out its proposed business plan;
- inability to keep up with advances in EV and battery technology;
- inability to design, develop, market and sell new EVs and services that address additional market opportunities to generate revenue and positive cash flows;
- dependency on certain key personnel and any inability to retain and attract qualified personnel;
- inexperience in mass-producing EVs;
- inability to succeed in establishing, maintaining and strengthening the Cenntro brand;
- disruption of supply or shortage of raw materials;
- the unavailability, reduction or elimination of government and economic incentives;
- failure to manage future growth effectively; and
- the other risks and uncertainties detailed from time to time in our filings with the Security and Exchange Commission ("SEC"), including but not limited to those described under "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K as amended for the year ended December 31, 2023, filed with the SEC on April 1, 2024 (the "Form 10-K").

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

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PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	Note	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Net revenues	2(d)	$ 8,320,492	$ 4,237,520	$ 11,712,491	$ 7,708,064
Cost of goods sold		(7,095,622)	(3,090,275)	(10,473,350)	(6,366,075)
Gross profit		1,224,870	1,147,245	1,239,141	1,341,989
OPERATING EXPENSES:					
Selling and marketing expenses		(1,306,678)	(2,742,749)	(2,623,441)	(4,611,734)
General and administrative expenses		(7,649,940)	(9,285,213)	(14,011,136)	(16,643,477)
Research and development expenses		(1,087,639)	(2,143,070)	(2,815,469)	(3,712,989)
Total operating expenses		(10,044,257)	(14,171,032)	(19,450,046)	(24,968,200)
Loss from operations		(8,819,387)	(13,023,787)	(18,210,905)	(23,626,211)
OTHER (EXPENSE) INCOME:					
Interest (expense) income, net		(97,788)	1,262	(24,546)	(53,153)
Loss from long-term investment		(3,590)	(148,645)	(17,110)	(129,603)
Impairment of long-term investment		-	(8,538)	-	(1,154,666)
Gain (loss) on redemption of convertible promissory notes		-	1,900	-	(101)
Loss on exercise of warrants		-	(14,745)	-	(227,615)
Loss from acquisition of Hezhe		(149,872)	-	(149,872)	-
Change in fair value of convertible promissory notes and derivative liability		9,237	199,698	8,532	73,425
Change in fair value of equity securities		259,564	60,452	494,451	713,468
Foreign currency exchange loss, net		(370,462)	(1,389,294)	(729,679)	(1,356,271)
Loss (gain) from cross-currency swaps		(4,346)	-	1,587	-
Other (expense) income, net		(21,834)	269,999	168,809	595,052
Loss before income taxes		(9,198,478)	(14,051,698)	(18,458,733)	(25,165,675)
Income tax benefit (expense)	12	4,683	(25,468)	34,715	(25,468)
Net loss		(9,193,795)	(14,077,166)	(18,424,018)	(25,191,143)
Less: net loss attributable to non-controlling interests		(10,968)	(2,682)	(11,040)	(158,710)
Net loss attributable to the Company's shareholders		$ (9,182,827)	$ (14,074,484)	$ (18,412,978)	$ (25,032,433)
OTHER COMPREHENSIVE LOSS					
Foreign currency translation adjustment		(376,045)	(2,824,971)	(1,377,290)	(2,487,693)
Total comprehensive loss		(9,569,840)	(16,902,137)	(19,801,308)	(27,678,836)
Less: total comprehensive loss attributable to non-controlling interests		(7,700)	(2,683)	(7,844)	(183,278)
Total comprehensive loss to the Company's shareholders		$ (9,562,140)	$ (16,899,454)	$ (19,793,464)	$ (27,495,558)
Weighted average number of shares outstanding, basic and diluted *		30,828,795	30,444,909	30,828,795	30,377,615
Loss per share, basic and diluted		(0.30)	(0.46)	(0.60)	(0.82)

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

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

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

	Note	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents		$ 16,229,062	$ 29,375,727
Restricted cash		197,682	196,170
Short-term investment	3	4,154,255	4,236,588
Accounts receivable, net	4	7,871,086	6,530,801
Inventories, net	5	41,271,928	43,909,564
Prepayment and other current assets	6	21,687,766	20,391,150
Amounts due from related parties - current	17	173,567	287,439
Total current assets		91,585,346	104,927,439
Non-current assets:			
Long-term investments	7	4,254,373	4,685,984
Investment in equity securities	8	26,079,485	26,158,474
Property, plant and equipment, net	9	20,075,860	20,401,521
Goodwill		216,403	223,494
Intangible assets, net	10	6,494,829	6,873,781
Right-of-use assets, net	13	17,590,753	20,039,625
Other non-current assets		1,454,473	2,227,672
Total non-current assets		76,166,176	80,610,551
Total Assets		$ 167,751,522	$ 185,537,990
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities:			
Accounts payable		6,630,085	6,797,852
Current portion of long-term bank loans	11	95,047	-
Accrued expenses and other current liabilities		4,046,031	4,263,887
Contract liabilities		5,476,006	3,394,044
Operating lease liabilities, current	13	4,607,925	4,741,599
Convertible promissory notes	14	9,951,000	9,956,000
Contingent liabilities, current		25,823	26,669
Deferred government grant, current		106,215	108,717
Amounts due to related parties	17	-	10,468
Total current liabilities		30,938,132	29,299,236
Non-current liabilities:			
Long-term bank loans	11	366,589	-
Contingent liabilities, non-current		222,763	230,063
Deferred tax liabilities		201,070	228,086
Deferred government grant, non-current		1,832,201	1,929,733
Derivative liability - investor warrant	14	12,186,795	12,189,508
Derivative liability - placement agent warrant	14	3,455,759	3,456,578
Operating lease liabilities, non-current	13	14,542,028	16,339,619
Total non-current liabilities		32,807,205	34,373,587
Total Liabilities		$ 63,745,337	$ 63,672,823
Commitments and contingencies	16		
EQUITY			
Ordinary shares (No par value; 30,828,795 and 30,828,778 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively)		-	-
Additional paid in capital		404,110,513	402,337,393
Accumulated deficit		(292,436,479)	(274,023,501)
Accumulated other comprehensive loss		(7,824,971)	(6,444,485)
Total equity attributable to shareholders		103,849,063	121,869,407
Non-controlling interests		157,122	(4,240)
Total Equity		$ 104,006,185	$ 121,865,167
Total Liabilities and Equity		$ 167,751,522	$ 185,537,990

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

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

	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	30,084,200	$ -	$ 397,497,817	$ (219,824,176)	$ (5,306,972)	$ 172,366,669	$ (477,135)	$ 171,889,534
Share-based compensation	-	-	2,410,291	-	-	2,410,291	-	2,410,291
Net loss	-	-	-	(25,032,433)	-	(25,032,433)	(158,710)	(25,191,143)
Acquisition of 35% of CAE's equity interests	-	-	(2,558,882)	-	-	(2,558,882)	658,892	(1,899,990)
Exercise of warrants	360,709	-	2,168,185	-	-	2,168,185	-	2,168,185
Foreign currency translation adjustment	-	-	-	-	(2,463,125)	(2,463,125)	(24,568)	(2,487,693)
Balance as of June 30, 2023 (unaudited)	30,444,909	$ -	$ 399,517,411	$ (244,856,609)	$ (7,770,097)	$ 146,890,705	$ (1,521)	$ 146,889,184

	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, 2023	30,828,778	$ -	$ 402,337,393	$ (274,023,501)	$ (6,444,485)	$ 121,869,407	$ (4,240)	$ 121,865,167
Share-based compensation	-	-	1,773,120	-	-	1,773,120	-	1,773,120
Net loss	-	-	-	(18,412,978)	-	(18,412,978)	(11,040)	(18,424,018)
Acquisition of 60% of Hezhe's equity interests	-	-	-	-	-	-	169,206	169,206
Fractional shares issued due to reverse stock split	17	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	(1,380,486)	(1,380,486)	3,196	(1,377,290)
Balance as of June 30, 2024 (unaudited)	30,828,795	$ -	$ 404,110,513	$ (292,436,479)	$ (7,824,971)	$ 103,849,063	$ 157,122	$ 104,006,185

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

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

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

	For the Six Months Ended June 30,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	$ (12,710,460)	$ (35,499,138)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equity investment	-	(680,932)
Purchase of plant and equipment	(663,122)	(5,082,473)
Purchase of land use right and land	-	(2,200,559)
Acquisition of CAE's equity interests	-	(1,924,557)
Net of cash acquired of 60% of Hezhe's equity interests	(355,400)	-
Cash dividend from long-term investment	55,440	-
Proceeds from disposal of property, plant and equipment	39,720	-
Loans provided to third parties	-	(100,000)
Proceeds from interest and redemption of equity securities	573,441	-
Net cash used in investing activities	(349,921)	(9,988,521)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loans	475,236	-
Repayment of bank loans	(13,600)	-
Redemption of convertible promissory notes	-	(45,583,321)
Net cash provided by (used in) financing activities	461,636	(45,583,321)
Effect of exchange rate changes on cash	(546,408)	(2,543,188)
Net decrease in cash, cash equivalents and restricted cash	(13,145,153)	(93,614,168)
Cash, cash equivalents and restricted cash at beginning of period	29,571,897	154,096,801
Cash, cash equivalents and restricted cash at end of period	$ 16,426,744	$ 60,482,633
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 338,415	$ 1,051,054
Income tax paid	$ -	$ 4,903
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cashless exercise of warrants	$ -	$ 2,168,185

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

CENNTRO INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES

Historical and principal activities

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

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

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

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

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

Cenntro Electric Group Limited, 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. CEGL changed its name to Cenntro Electric Group Pty Limited on June 14, 2024.

On March 25, 2022 and January 31, 2023, CEGL entered into Share Purchase Agreements to acquire 65% and 35% of the issued and outstanding shares in Cenntro Automotive Europe GmbH ("CAE"), formerly known as Tropos Motors Europe GmbH. For information of the Share Purchase Agreements, see Note 3 of the Company 2023 Form 10-K, "Business Combination".

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

Reverse recapitalization

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

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

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NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

As of June 30, 2024, Cenntro Inc's subsidiaries are as follows:

Name	Date of Incorporation	Place of Incorporation	Percentage of direct or indirect economic interest
Cenntro Electric Group Pty Limited ("CEGL")	May 11, 2017	Australia	100% owned by Cenntro Inc.
Cenntro Automotive Corporation ("CAC")	March 22, 2013	Delaware, U.S.	100% owned by Cenntro Inc.
Cenntro Electric Group, Inc. ("CEG")	March 9, 2020	Delaware, U.S.	100% owned by Cenntro Inc.
Cennatic Power, Inc. ("Cennatic Power")	June 8, 2022	Delaware, U.S.	100% owned by Cenntro Inc.
Cenntro Electric Group (Europe) GmbH	January 13, 2022	Frankfurt, Germany	100% owned by Cenntro Inc.
Teemak Power Corporation	January 31, 2023	Delaware, U.S.	100% owned by Cenntro Inc.
Avantier Motors Corporation	November 17, 2017	Delaware, U.S.	100% owned by Cenntro Inc.
Cenntro Electric CICS, SRL	November 30, 2022	Santo Domingo, Dominican Republic	99% owned by Cenntro Inc.
Cennatic Energy S. de R.L. de C.V.	August 24, 2022	Monterrey, Mexico	100% owned by Cenntro Inc
Cenntro Automotive S.A.S.	January 16, 2023	Galapa, Colombia	100% owned by Cenntro Inc
Cenntro Electric Colombia S.A.S.	March 29, 2023	Atlántico, Colombia	100% owned by Cenntro Inc
Cenntro Automotive Group Limited ("CAG HK")	February 15, 2016	Hong Kong	100% owned by Cenntro Inc
Hangzhou Ronda Tech Co., Limited ("Hangzhou Ronda")	June 5, 2017	PRC	100% owned by Cenntro Inc
Hangzhou Cenntro Autotech Co., Limited ("Cenntro Hangzhou")	May 6, 2016	PRC	100% owned by Cenntro Inc
Zhejiang Cenntro Machinery Co., Limited	January 20, 2021	PRC	100% owned by Cenntro Inc
Jiangsu Tooniu Tech Co., Limited	December 19, 2018	PRC	100% owned by Cenntro Inc
Hangzhou Hengzhong Tech Co., Limited	December 16, 2014	PRC	100% owned by Cenntro Inc
Teemak Power (Hong Kong) Limited (HK)	May 17, 2023	Hong Kong	100% owned by Cenntro Inc
Avantier Motors (Hong Kong) Limited	March 13, 2023	Hong Kong	100% owned by Cenntro Inc
Cenntro Automotive Europe GmbH ("CAE")	May 21, 2019	Herne, Germany	100% owned by Cenntro Inc
Cenntro Electric B.V.	December 12, 2022	Amsterdam, Netherlands	100% owned by Cenntro Inc
Cenntro Elektromobilite Araçlar A.Ş	February 21, 2023	Turkey	100% owned by Cenntro Inc
Cenntro Elecautomotiv, S.L.	July 5, 2022	Barcelona, Spain	100% owned by Cenntro Inc
Cenntro Electric Group (Europe) GmbH ("CEGE")	January 13, 2022	Düsseldorf, Germany	100% owned by Cenntro Inc
Simachinery Equipment Limited ("Simachinery HK")	June 2, 2011	Hong Kong	100% owned by Cenntro Inc
Zhejiang Sinomachinery Co., Limited ("Sinomachinery Zhejiang")*	June 16, 2011	PRC	100% owned by Cenntro Inc
Shengzhou Cenntro Machinery Co., Limited ("Cenntro Machinery")*	July 12, 2012	PRC	100% owned by Cenntro Inc
Cenntro EV Center Italy S.R.L.	May 8, 2023	Italy	100% owned by Cenntro Inc
Antric Gmbh	August 21, 2020	Herne, Germany	100% owned by Cenntro Inc
Pikka Electric Corporation	August 3, 2023	Delaware, U.S.	100% owned by Cenntro Inc
Centro Technology Corporation	August 24, 2023	California, U.S.	100% owned by Cenntro Inc
Hangzhou Hezhe Energy Technology Co., Ltd. ("Hangzhou Hezhe")	July 1, 2021	PRC	80% owned by Cenntro Inc

* As of the issuance date of this report on Form 10-Q, Sinomachinery Zhejiang and Cenntro Machinery were in the process of being deregistered.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2023, which has been derived from audited financial statements, and the unaudited condensed consolidated financial statements as of June 30, 2024 and for the six months ended June 30, 2024 and 2023 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”).

Certain information and disclosures, which are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures made are adequate to provide a fair presentation. The interim financial information should be read in conjunction with the financial statements and the notes for the fiscal year ended December 31, 2023. The results of operations for the six months ended June 30, 2024 are not necessarily indicative of the results for the full year or any future periods.

(b) Use of estimates

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

(c) Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Revenue recognition

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

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

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

The following table disaggregates the Company's revenues by product line for the six months ended June 30, 2024 and 2023:

	For the Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Vehicles sales	$ 9,610,536	$ 7,226,049
Spare-parts sales	1,978,161	344,702
Other service income	123,794	137,313
Net revenues	$ 11,712,491	$ 7,708,064

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

	For the Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Primary geographical markets		
America	$ 5,763,387	$ 96,702
Europe	3,654,430	5,531,486
Asia	2,294,674	2,079,876
Total	$ 11,712,491	$ 7,708,064

Contract Balances

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

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received 有 consideration. The consideration received remains a contract liability until goods or services have been provided to the customer. For the six months ended June 30, 2024 and 2023, the Company recognized $923,815 and $479,499 revenue that was included in contract liabilities as of December 31, 2023 and 2022, respectively.

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

	June 30, 2024	December 31, 2023
Accounts receivable, net	$ 7,871,086	$ 6,530,801
Contract liabilities	$ 5,476,006	$ 3,394,044

(e) Recently issued accounting standards pronouncement

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

NOTE 3 - SHORT-TERM INVESTMENTS

	June 30, 2024 (Unaudited)	December 31, 2023
Available-for-sale investment (1)	$ 4,144,237	$ 4,227,947
Cross-currency swap (2)	10,018	8,641
Total	$ 4,154,255	$ 4,236,588

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

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

NOTE 4 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net is summarized as follows:

	June 30, 2024 (Unaudited)	December 31, 2023
Accounts receivable	$ 9,554,579	$ 8,443,069
Less: allowance for credit losses	(1,683,493)	(1,912,268)
Accounts receivable, net	$ 7,871,086	$ 6,530,801

The changes in the allowance for credit losses are as follows:

	For the Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Balance at the beginning of the period	$ 1,912,268	$ 1,961,034
Write-off	(172,443)	(47,980)
Foreign exchange	(56,332)	60,572
Balance at the end of the period	$ 1,683,493	$ 1,973,626

NOTE 5 - INVENTORIES, NET

Inventories, net are summarized as follows:

	June 30, 2024 (Unaudited)	December 31, 2023
Raw material	$ 11,381,841	$ 11,568,791
Work-in-progress	1,711,685	1,494,441
Goods in transit	3,862,972	3,774,310
Finished goods	28,782,669	30,576,355
Inventories, gross	45,739,167	47,413,897
Less: Inventory valuation allowance	(4,467,239)	(3,504,333)
Inventories, net	$ 41,271,928	$ 43,909,564

The changes in inventory valuation allowance are as follows:

	For the Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Balance at the beginning of the period	$ 3,504,333	$ 3,218,765
Addition during the period	1,725,891	-
Write-off	(727,927)	(6,021)
Foreign exchange	(35,058)	(97,942)
Balance at the end of the period	$ 4,467,239	$ 3,114,802

NOTE 6 - PREPAYMENT AND OTHER CURRENT ASSETS

Prepayment and other current assets consisted of the following:

	June 30, 2024 (Unaudited)	December 31, 2023
Advance to suppliers	$ 14,570,540	$ 12,579,554
Deductible input value added tax	6,286,175	6,238,040
Receivable from third parties	-	1,000,000
Others	831,051	573,556
Prepayment and other current assets	$ 21,687,766	$ 20,391,150

NOTE 7 - LONG-TERM INVESTMENT, NET

Equity method investments, net

The Company had the following equity method investments:

	June 30, 2024 (Unaudited)	December 31, 2023
Hangzhou Entropy Yu Equity Investment Partnership (Limited Partnership) ("Entropy Yu") (1)	$ 2,078,108	$ 2,127,062
Hangzhou Hezhe Energy Technology Co., Ltd. ("Hangzhou Hezhe") (2)	-	407,778
Able 2rent GmbH (DEU) (3)	99,553	89,432
Total	$ 2,177,661	$ 2,624,272

(1) On September 25, 2022, the Company invested RMB15,400,000 (approximately $2,119,111) in Entropy Yu to acquire 99.355% of the partnership entity's equity interest. The Company accounts for the investment under the equity method because the Company controls 50% of voting interests in partnership matters and material matters must be agreed upon by all partners. The Company has the ability to exercise significant influence over Entropy Yu.

(2) On June 23, 2021, the Company invested RMB2,000,000 (approximately $275,209) in Hangzhou Hezhe to acquire 20% of its equity interest. On May 8, 2024, the Company entered an agreement to acquire 60% of Hangzhou Hezhe's equity interest, with the consideration of RMB3,704,307 (approximately $509,730). As of June 30, 2024, Hangzhou Hezhe become a subsidiary of the Company.

(3) On March 22, 2022, CAE invested EUR100,000 (approximately $107,110) 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:

	June 30, 2024 (Unaudited)	December 31, 2023
HW Electro Co., Ltd. (1)	$ 1,000,000	$ 1,000,000
Robostreet Inc. (2)	450,000	450,000
Total	$ 1,450,000	$ 1,450,000

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

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

Debt Security Investments

On July 24, 2023 the Company purchased a $1,000,000 convertible note (the "Convertible Note") from third party Acton, Inc. (the "Issuer"). As of June 30, 2024, the Company has paid $600,000 to the Issuer, the balance of debt investments was $626,712. At any time on or after the maturity date, the convertible loan will convert into shares equal to the quotient obtained by dividing the outstanding principal balance and unpaid accrued interest of the convertible loan as of the date of such conversion by the applicable conversion price.

NOTE 8 - INVESTMENT IN EQUITY SECURITIES

As of June 30, 2024, the balance consisted of the following two equity investments:

	June 30, 2024 (Unaudited)	December 31, 2023
MineOne Fix Income Investment I L.P	$ 26,079,485	$ 26,060,355
Micro Money Fund SPC	-	98,119
Total	**$ 26,079,485**	**$ 26,158,474**

For the six months ended June 30, 2024 and 2023, the Company made redemption of $73,441 and nil of both equity investments, respectively.

For the six months ended June 30, 2024 and 2023, the Company received interest of $500,000 and nil of both equity investments, respectively.

For the six months ended June 30, 2024 and 2023, the Company recorded upward adjustments for changes in fair value of both equity investments of $494,451 and $713,468, respectively.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET

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

	June 30, 2024 (Unaudited)	December 31, 2023
At cost:		
Plant and building	$ 11,301,714	$ 11,549,755
Land	1,063,270	1,063,270
Machinery and equipment	3,657,365	3,437,783
Leasehold improvement	6,381,854	6,221,899
Office equipment	2,005,109	2,179,269
Motor vehicles	1,280,026	1,106,055
Construction in progress	610,430	531,248
Total	**26,299,768**	**26,089,279**
Less: accumulated depreciation	(5,241,404)	(4,677,524)
Impairment	(982,504)	(1,010,234)
Property, plant and equipment, net	**$ 20,075,860**	**$ 20,401,521**

Depreciation expenses for the six months ended June 30, 2024 and 2023 were $765,295 and $732,510, respectively.

Impairment loss for the six months ended June 30, 2024 and 2023 were $4,368 and $160,626, respectively.

NOTE 10 - INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	June 30, 2024 (Unaudited)	December 31, 2023
At cost:		
Land use right	$ 5,455,498	$ 5,584,050
Trademark	784,045	809,738
Technology	711,210	734,517
Software	115,606	118,350
Total	**7,066,359**	**7,246,655**
Less: accumulated amortization	(571,530)	(372,874)
Intangible assets, net	**$ 6,494,829**	**$ 6,873,781**

Amortization expenses for the six months ended June 30, 2024 and 2023 were $209,949 and $53,901, respectively.

NOTE 11 –LONG-TERM BANK LOANS

Bank and other financial institution		Annual Interest Rate	Start	Maturity	Principal	As of June 30, 2024 (Unaudited) Current Portion	Non-current portion	As of December 31, 2023 Current Portion	Non-current portion
Bank of Multiple Promerica Republic Dominicana	(1)	10.00%	April and June 2024	April and June 2029	461,636	95,047	366,589	-	-
Total					**461,636**	**95,047**	**366,589**	-	-

(1) On April 30, 2024 and June 21, 2024, the Company borrowed $408,000 and $67,236 from Bank of Multiple Promerica Republic Dominicana, with the interest of 10% and the due date of April 29, 2029 and June 20, 2029, respectively. The Company should repay the loan monthly in five years after the month the loans were borrowed, with monthly principal repayment of $6,800 and $1,121, respectively. As of June 30, 2024, principal amount of $13,600 was repaid.

NOTE 12 - INCOME TAXES

Australia

CEGL is subject to a tax rate of 25%.

United States

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

Europe

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

Hong Kong

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

PRC

The Company's PRC subsidiaries are subject to the PRC Enterprise Income Tax Law ("EIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

Income tax benefit for the six months ended June 30, 2024 was $34,715 and income tax expenses for the six months ended June 30, 2023 was $25,468.

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

	For the Six Months Ended June 30, 2024	2023
Europe	$ 6,359,899	$ 5,833,519
US	4,834,603	7,935,561
PRC	4,842,423	5,349,328
Australia	1,703,066	5,534,092
Others	718,742	513,175
Total	$ 18,458,733	$ 25,165,675

NOTE 13 - 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 Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Operating leases cost excluding short-term rental expense	$ 2,552,612	$ 1,830,796
Short-term lease cost	252,627	487,482
Total	$ 2,805,239	$ 2,318,278

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

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Cash paid for amounts included in the measurement of lease liabilities	$ 1,881,823	$ 1,817,787
Weighted average remaining lease term	5.93 years	6.42 years
Weighted average discount rate	6.33%	6.09%

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 June 30, 2024:

	Operating Leases
For the remaining of 2024	$ 2,762,702
Years ended December 31,	
2025	3,948,945
2026	4,026,959
2027	4,076,331
2028	2,169,808
2029 and thereafter	5,780,266
Total lease payments	22,765,011
Less: imputed interest	3,615,058
Total	19,149,953
Less: current portion	4,607,925
Non-current portion	$ 14,542,028

NOTE 14 - 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 six months ended June 30, 2024 are as follows:

	Liability component
As of December 31, 2023	$ 9,956,000
Convertible promissory notes issued during the period	-
Redemption of convertible promissory notes	-
Fair value change recognized	(5,000)
As of June 30, 2024	9,951,000

The estimated fair value of the Note upon issuance date December 31, 2023 and as of June 30, 2024 was computed using a Monte Carlo Simulation Model, which incorporates significant inputs that are not observable in the market, and thus represents a Level 3 measurement. The unobservable inputs utilized for measuring the fair value of the Note reflects our assumptions about the assumptions that market participants would use in valuing the Note as of the issuance date and subsequent reporting period.

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

Fair Value Assumptions - Convertible Promissory Note	June 30, 2024 (Unaudited)	December 31, 2023
Face value principal payable	9,953,381	9,953,381
Original conversion price	12.375	12.375
Interest Rate	8.00%	8.00%
Expected term (years)	0.56	1.05
Volatility	54.77%	53.46%
Market yield (range)	20.45%	13.93%
Risk free rate	5.25%	4.69%
Issue date	July 20, 2022	July 20, 2022
Maturity date	January 19, 2025	January 19, 2025

Warrant

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

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

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

The movement of warrants during the six months ended June 30, 2024 are as follows:

	Investor warrants component	Placement agent warrants component
As of December 31, 2023	$ 12,189,508	$ 3,456,578
Warrants issued during the period	-	-
Exercise of warrants	-	-
Fair value change recognized	(2,713)	(819)
As of June 30, 2024	12,186,795	3,455,759

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

Fair Value Assumptions – Warrants	**June 30, 2024 (Unaudited)**	**December 31, 2023**
Expected term (years)	3.05	3.55
Volatility	65.20%	72.11%
Risk free rate	4.38%	3.91%

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NOTE 15- SHARE-BASED COMPENSATION

Share based compensation expenses for periods prior to the consummation of the Combination relate to the share options granted by CAG Cayman to the employees and directors of Cenntro.

Share options granted by CAG Cayman to employees of the Company

On February 10, 2016, CAG Cayman adopted the 2016 Share Incentive Option Plan (the “2016 Plan”), which allowed CAG Cayman to grant options to the employees and directors of Cenntro to purchase up to 14,139,360 ordinary shares of CAG Cayman subject to vesting requirements. On April 17, 2018, CAG Cayman expanded the share reserve under the 2016 Plan, increasing the number of ordinary shares available for issuance under the 2016 Plan by an additional 10,484,797 ordinary shares for a total 24,624,157 ordinary shares. Generally, the options granted under the 2016 Plan became exercisable during the term of the optionee’s service with CAG Cayman in five equal annual instalments of 20% each. The expiration dates of the options are between six and eight years from the respective grant dates as stated in the option grant letters.

In connection with the Combination, CAG Cayman amended and restated the 2016 Plan, adopting the Amended 2016 Plan. In connection with the closing of the Combination, each employee stock option outstanding under the Amended 2016 Plan immediately prior to the closing of the Combination was converted into an option to purchase a number of ordinary shares equal to the aggregate number of shares for which such stock option was exercisable immediately prior to the closing of the Combination multiplied by the Exchange Ratio of 0.71563. As a result, the 12,891,130 options granted by CAG Cayman prior to the closing of the Combination under the 2016 Plan were converted into 9,225,271 options of CEGL. The exercise price of such options modified to equal the exercise price per share of such stock option immediately prior to the closing of the Combination divided by the Exchange Ratio.

The conversion of the incentive stock options of CAG Cayman under the Amended 2016 Plan into incentive stock options of CEGL was deemed a modification at closing of the Combination, which is the modification date. There were, no incremental fair value recorded immediately before and after the modification date.

On August 21, 2023, the Company extended the term and expiration date of each 2016 Option Agreement from eight (8) years to ten (10) years from the date of grant pursuant to the terms of the 2016 Plan.

Share options granted by CEGL to employees of the Company

On May 3, 2022, CEGL adopted the 2022 Share Incentive Plan (the “2022 Plan”), which allowed CEGL to grant options to the employees and directors of the Company to purchase up to 25,965,234 ordinary shares of CEGL subject to vesting requirement.

On May 3, 2022, CEGL granted 12,797,063 options to the directors of the Company to purchase CEGL’s ordinary shares at exercise prices ranging from $1.680 to $1.848 per share. Among them, 297,615 options have a contractual term of five years, 12,499,448 options have a contractual term of ten years.

The fair value of option per share grant on May 3, 2022 varied from $11.064 to $14.332. The aggregate grant date fair value of the options grant was $18,243,489.

For the six months ended June 30, 2024 and 2023, the total share-based compensation expenses were comprised of the following:

	For the Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
General and administrative expenses	$ 1,500,783	$ 1,858,258
Selling and marketing expenses	96,970	378,678
Research and development expenses	175,367	173,356
Total	**$ 1,773,120**	**$ 2,410,292**

A summary of share options activity for the six months ended June 30, 2024 and 2023 is as follows:

	Number of Share Options	Weighted Average Exercise Price US$	Weighted Average Remaining Contractual Years	Aggregate Intrinsic Value US$
Outstanding at December 31, 2022	**21,603,366**	**1.44**	**5.99**	**721,210**
Granted	-	-		
Exercised	-	-		
Forfeited	(152,500)	1.68		
Expired	(40,000)	1.68		
Outstanding at June 30, 2023 (unaudited)	**21,410,866**	**1.44**	**5.46**	**43,698**
Outstanding at December 31, 2023(After the “Share Consolidation”)*	**2,025,115**	**14.26**	**4.81**	**-**
Granted	-	-		
Exercised	-	-		
Forfeited	(82,710)	17.00		
Expired	(146,783)	16.81		
Outstanding at June30, 2024 (unaudited)	**1,795,622**	**13.92**	**4.06**	**-**
Expected to vest at June30, 2024 (unaudited)	**452,763**	**17.07**	**7.65**	**-**
Exercisable as of June30, 2024 (unaudited)	**1,342,859**	**12.86**	**2.85**	**-**

*On September 1, 2023 the Company held its annual general meeting of shareholders where among other proposals, the shareholders of the Company did approve the consolidation of the ordinary shares of the Company on a one-for-ten (1:10) basis with effect from December 8, 2023 (the “Share

Consolidation"). The one-for-ten reverse stock split decreased the number of outstanding shares and increased net loss per common share. All per share and share amounts presented have been retroactively adjusted for the effect of this share consolidation for all periods presented.

The Company calculated the fair value of the share options on the grant date and modification date using the Black-Scholes option-pricing valuation model. The assumptions used in the valuation model are summarized in the following table.

	For the Six Months Ended June 30,	
	2024	2023
Expected volatility	83.41%-86.57%	83.41%-86.57
Expected dividends yield	0%	0%
Risk-free interest rate per annum	2.97%~3.01%	2.97%~3.01%
The fair value of underlying ordinary shares (per share)	$16.80	$1.68

The expected volatility is calculated based on the annualized standard deviation of the daily return embedded in historical share prices of the Company. The risk-free interest rate is estimated based on the yield to maturity of US treasury bonds based on the expected term of the incentive shares.

As of June 30, 2024, there was approximately $5,758,085 of total unrecognized compensation cost related to unvested share options. The unrecognized compensation costs are expected to be recognized over a weighted average period of approximately 1.71 years.

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NOTE 16 - CONCENTRATIONS

(a) Customers

The following table sets forth information as to each customer that accounted for 10% or more of net revenue for the six months ended June 30, 2024 and 2023.

	Six months ended June 30, 2024, (Unaudited)		Six months ended June 30, 2023, (Unaudited)	
Customer	**Amount**	**% of Total**	**Amount**	**% of Total**
A	$ 2,451,000	21%	$ -	-
B	1,756,994	15%	726	*
C	1,290,000	11%	-	-
D	119,885	*	1,414,701	18%
Total	$ 5,617,879	47%	$ 1,415,427	18%

* 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 June 30, 2023 and December 31, 2023.

	As of June 30, 2024 (Unaudited)		As of December 31, 2023	
Customer	**Amount**	**% of Total**	**Amount**	**% of Total**
A	$ 2,205,900	23%	$ -	-
C	1,161,000	12%	-	-
E	1,198,477	13%	1,237,751	15%
F	51,045	*	2,724,397	32%
Total	$ 4,616,422	48%	$ 3,962,148	47%

* Indicates below 10%.

(b) Suppliers

For the six months ended June 30, 2024 and 2023, the Company's material suppliers, each of whom accounted for more than 10% of the Company's total purchases, were as follows:

	Six months ended June 30, 2024, (Unaudited)		Six months ended June 30, 2023, (Unaudited)	
Supplier	**Amount**	**% of Total**	**Amount**	**% of Total**
A	2,376,022	39%	4,645,216	33%
B	47,660	*	2,644,958	19%
C	172,444	*	1,734,260	12%
Total	$ 2,596,126	39%	$ 9,024,434	64%

* Indicates below 10%.

There is no single supplier that accounted 10% or more of the Company's accounts payable as of June 30, 2024 and December 31, 2023.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Subject to retention of title and an instalment payment agreement, CAE sold 90 vehicles for a total price of EUR 2,185,721.32 (approximately $2,358,611.88) to the French company B-Moville under a contract dated August 23，2021. B-MOVILLE had already settled an amount of EUR 58,787.33 by the end of 2022 and, therefore, still owed CAE an amount of EUR 2,126,933.99, of which EUR 548,244.11 was owed by the end of 2022 under the instalment agreement. B-Moville had withheld instalment payments due to alleged defects of the vehicles, without specifying the amount of the claims for reduction of the purchase price. B-Moville had handed over the cars to its parent company SWOOPIN. SWOOPIN is insolvent and has been in judicial liquidation since November 2, 2022. The vehicles held by SWOOPIN were prevented from becoming part of the insolvency estate and being realized by the insolvency administrator. Due to the retention of title clause, the 90 vehicles remain the property of CAE. SWOOPIN returned the vehicles to B-Moville. B-Moville has, in the meantime, also filed for insolvency. Currently, CAE endeavors to recover the vehicles from B-Moville. CAE must send a statement of claims against B-Moville by September 24, 2024. CAE must also claim ownership of the movable property sold with a retention of title clause by August 31, 2024. CAE has engaged attorney to assess any claims for damages against B-Moville and, if necessary, to assert them in court. CAE is still in the process of determining the exact damage.

CAE has also filed an action with the court against Delivrium s.r.o. for a claim arising from a purchase contract with total value in dispute of €956,760 requesting payment and acceptance of ordered vehicles. Currently CAE is waiting for a statement or notification as to whether service is possible.

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

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

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

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

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

On December 18, 2023, Zhejiang Sinomachinery Co., Ltd. filed a lawsuit against Tonghe County Tianxin Agricultural Machinery Co., Ltd. ("Tianxin"), requesting payment for total contract price of CNY461,800 (approximately US$ 65,104) and interest under a disputed contract of sale. On April 17, 2024, the court made the judgement supporting plaintiff's primary claims, ruling Tianxin to pay Zhejiang Sinomachinery CNY461,800 (approximately US$ 65,104) plus interest and relevant legal expenses within 10 days. On July 3, 2024, the Court accepted Zhejiang Sinomachinery's application for compulsory execution.

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

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

On March 18, 2024, EastGroup Properties, LP filed a summons for eviction against Cenntro Automotive Group for default of rents on commercial leased property located in Duval County, Jacksonville, Florida. It is alleged that Cenntro was behind in rental payments to the landlord. As of the date of this report, the case remains open and both parties are negotiating settlement.

On March 20, 2024 BAL Freeway Associates, LLC filed an Unlawful Detainer against Cenntro Automotive Corporation alleging non-payment of rents for commercial leased property in San Bernadino County, Ontario, CA. Parties were able to come to terms through counsel via Stipulated Judgement for prescribed settlement of due rents. Said Stipulated Judgement was filed with the court in San Bernadino County on May 6, 2024. To date, all parties have honored stipulations and Cenntro continues to occupy premises.

On April 22, 2024, BRI 2240 North Lane Avenue, LLC filed a summons for eviction against Cenntro Automotive Group for default of rents on commercial leased property located in Duval County, Jacksonville, Florida. It is alleged that Cenntro was behind in rental payments to the landlord. As of the date of this report, Cenntro has vacated the premises, the case remains open and is in the early stages of negotiating settlement between the parties.

On May 6, 2024, 225 Willow Brook Rd, LLC filed a summons notice against Cenntro Automotive Corporation noting default of rents on commercial leased property located in Monmouth County, Freehold, New Jersey. It is alleged that Cenntro was behind in rent payments to the landlord. Cenntro has vacated the premises, turned in all keys and all other material items belonging to the landlord and in Cenntro's possession at the time and notified the Landlord of the same. As of the date of this report, the case remains open.

On June 24, 2024, EWI Worldwide, Inc through representation sent a Demand for Arbitration regarding contract dispute with Cenntro Automotive Corporation. It is alleged that an outstanding balance is owed in the amount of $271,255.79, excluding legal and filing fees associated therewith. Said breach of contract involves the lease and set-up of tradeshow display equipment. As of the date of this report, the case remains open and is in the early stages of negotiating settlement between the parties.

NOTE 18 - RELATED PARTY TRANSACTIONS

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

Name of related parties:	Relationship with the Company
Zhejiang RAP	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited, the Company's subsidiary
Hangzhou Hezhe	An entity significantly influenced by Hangzhou Ronda Tech Co., Limited, the Company's subsidiary as of December 31, 2023. On May 8, 2024, Hangzhou Hezhe become a subsidiary of the Company.
Billy Rafael Romero Del Rosario	A shareholder who owns 1% equity interest of Cenntro Electric CICS, SRL and was the CEO of Cenntro Electric CICS, SRL

Related party transactions

During the six months ended June 30, 2024 and 2023, the Company had the following material related party transactions.

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	For the Six Months Ended June 30,	
	2024	2023
Interest income from a related party		
Zhejiang RAP	$ 22,167	$ 6,524
Purchase of raw materials from related parties		
Hangzhou Hezhe (1)	3,750	196,908
Payment on the purchase of the raw materials		
Hangzhou Hezhe (1)	-	53,839
Refund on the purchase of the raw materials		
Hangzhou Hezhe	69,232	-
Prepayment of operating fund to a related party		
Billy Rafael Romero Del Rosario	52,058	-

(1) The transaction for the six months ended June 30, 2024 of this related party consisted of transaction only before it become a subsidiary of the Company, which was from January to April, 2024.

Amounts due from a related party

The following table presents amounts due from related parties as of June 30, 2024 and December 31, 2023.

	June 30, 2024 (Unaudited)	December 31, 2023
Hangzhou Hezhe (1)	$ -	$ 178,019
Billy Rafael Romero Del Rosario	161,786	109,420
Zhejiang RAP	11,781	-
Total	$ 173,567	$ 287,439

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

Amounts due to related parties

The following table presents amounts due to related parties as of June 30, 2024 and December 31, 2023.

	June 30, 2024 (Unaudited)	December 31, 2023
Zhejiang RAP	$ -	$ 10,468
Total	$ -	$ 10,468

NOTE 19 - SUBSEQUENT EVENT

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

CENNTRO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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

Introductory Note

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

A. Key Components of Results of Operations

Net revenues

Up until 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 a more blended approach. Historically (i.e. up until end of 2021), these revenues were generated solely by the sale of the Metro®. Starting from the last quarter of 2021, we began generating revenue from the sales of the Logistar™ 200, Logistar™ 100, Logistar™ 260, Teemak™ and Neibor® 150 in Europe.

Net revenues ended June 30, 2024 and 2023 were generated from (a) vehicles sales, which primarily represent net revenues from sales of Metro® vehicles (including vehicle kits), Logistar™ 200, Logistar™ 260, Logistar™ 400, Antric®, Avantier™, Logistar™ 100 and Clubcar, (b) sales of ECV spare-parts related to our Metro® vehicles, and (c) other sales, which primarily were: (i) the sales of inventory of outsourced ECV batteries and (ii) charges on services provided to channel partners for technical developments and assistance with vehicle homologation or certification.

Cost of goods sold

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

Cost of goods sold also includes inventory write-downs. Inventories are stated at the lower of cost or net realizable value. The cost of raw materials is determined on the basis of weighted average. The cost of finished goods is determined on the basis of weighted average and is comprised of direct materials, direct labor cost and an appropriate proportion of overhead. Net realizable value is based on estimated selling prices 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.

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 will continue committing our resource in our research and development functions as we continue to invest in new ECV models, new materials and techniques, vehicle management and control systems, digital control capabilities and other related 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 anticipate that our selling and marketing expenses will not increase as we shift our strategy towards strengthening our existing market developments in 2024, instead of pursuing the rapid expansions undertaken in 2023.

General and Administrative Expenses

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

Accounts receivable and allowance for credit losses

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

Impairment loss for long-lived assets

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

Other income (expenses)

Interest expense, net

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

Income(loss) from and impairment on equity method investments

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

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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 six months ended June 30, 2024 and 2023.

	Six Months ended June 30,	
	2024	2023
(Expressed in U.S. Dollars)	(Unaudited)	
Gross margin of vehicle sales	12.1%	16.7%

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 June 30,		Six Months ended June 30,	
	2024	2023	2024	2023
(Expressed in U.S. Dollars)	(Unaudited)		(Unaudited)	
Combined Statements of Operations Data:				
Net revenues	8,320,492	4,237,520	11,712,491	7,708,064
Cost of goods sold	(7,095,622)	(3,090,275)	(10,473,350)	(6,366,075)
Gross profit/(loss)	**1,224,870**	**1,147,245**	**1,239,141**	**1,341,989**
Operating Expenses:				
Selling and marketing expenses	(1,306,678)	(2,742,749)	(2,623,441)	(4,611,734)
General and administrative expenses	(7,649,940)	(9,285,213)	(14,011,136)	(16,643,477)
Research and development expenses	(1,087,639)	(2,143,070)	(2,815,469)	(3,712,989)
Total operating expenses	(10,044,257)	(14,171,032)	(19,450,046)	(24,968,200)
Loss from operations	**(8,819,387)**	**(13,023,787)**	**(18,210,905)**	**(23,626,211)**
Other Income (Expense):				
Interest expense, net	(97,788)	1,262	(24,546)	(53,153)
Loss from equity method investments	(3,590)	(148,645)	(17,110)	(129,603)
Other (expense) income, net	(392,296)	(1,119,295)	(560,870)	(761,219)
Gain (loss) on redemption of convertible promissory notes	-	1,900	-	(101)
Loss (gain) from cross-currency swaps	(4,346)	-	1,587	-
Loss on exercise of warrants	-	(14,745)	-	(227,615)
Change in fair value of convertible promissory notes and derivative liability	9,237	199,698	8,532	73,425
Change in fair value of equity securities	259,564	60,452	494,451	713,468
Loss from acquisition of Hezhe	(149,872)	-	(149,872)	-
Impairment of Long-term investments	-	(8,538)	-	(1,154,666)
Loss before income taxes	**(9,198,478)**	**(14,051,698)**	**(18,458,733)**	**(25,165,675)**
Income tax benefit (expense)	4,683	(25,468)	34,715	(25,468)
Net loss	**(9,193,795)**	**(14,077,166)**	**(18,424,018)**	**(25,191,143)**
Less: net loss attributable to non-controlling interests	(10,968)	(2,682)	(11,040)	(158,710)
Net loss attributable to shareholders of the Company	**(9,182,827)**	**(14,074,484)**	**(18,412,978)**	**(25,032,433)**

Comparison of the Three and Six months ended June 30, 2024 and 2023

Net Revenues

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

	Three Months ended June 30,				Six Months ended June 30,			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
(Expressed in U.S. Dollars)	(Unaudited)				(Unaudited)			
Net revenues:								
Vehicle Sales	$ 7,095,759	85.3%	$ 4,385,086	103.5%	$ 9,610,536	82.1%	$ 7,226,049	93.7%
Spare-part sales	1,149,376	13.8%	-253,334	-6.0%	1,978,161	16.9%	344,702	4.5%
Other sales	75,357	0.9%	105,768	2.5%	123,794	1.0%	137,313	1.8%
Total net revenues	$ 8,320,492	100.0%	$ 4,237,520	100.0%	$ 11,712,491	100.0%	$ 7,708,064	100.0%

Net revenues for the six months ended June 30, 2024 were approximately $11.7 million, an increase of approximately $4.0 million or 52.0% from approximately $7.7 million for the six months ended June 30, 2023. The increase in net revenues in 2024 was primarily attributed to an increase in vehicle sales by approximately $2.4 million due to the improvement of sales volume and average selling price from approximately $19,797 to $22,882 and an increase in spare-part sales by approximately $1.6 million due to the increase of sales of iChassis. The net revenues in US market for the six months ended June 30, 2024 were approximately $5.1 million, an increase of approximately $5.1 million from approximately zero for the six months ended June 30, 2023. The increase in net revenues in US market in 2024 was primarily attributed to an increase in vehicle sales by approximately $5.1 million.

Net revenues for the three months ended June 30, 2024 were approximately $8.3 million, an increase of approximately $4.1 million or 96.4% from approximately $4.2 million for the three months ended June 30, 2023. The increase in net revenues in 2024 was primarily attributed to an increase in vehicle sales by approximately $2.7 million due to the improvement of sales volume and average selling price from approximately $18,581 to $ 27,827 and an increase in spare-part sales by approximately $1.4 million due to the increase of sales of iChassis. The net revenues in US market for the three months ended June 30, 2024 were approximately $4.9 million, an increase of approximately $4.9 million from approximately zero for the three months ended June 30, 2023. The increase in net revenues in US market in 2024 was primarily attributed to an increase in vehicle sales by approximately $4.9 million.

For the six months ended June 30, 2024, we sold 420 ECVs, including 53 fully assembled Metro® units, 43 fully assembled Logistar™ 200 units, 59 fully assembled Logistar™ 100 units, 19 fully assembled Teemak™ units, 54 fully assembled Logistar™ 260 units, 37 fully assembled Logistar™ 400 units, 2 fully assembled Logistar™ 210 units, 82 fully assembled Avantier™ units, 14 Antric® units, 39 Clubcar units, 15 Neibor® 150 units and 3 Neibor® 200 units, compared with 364 ECVs for the six months ended June 30, 2023, including 156 fully assembled Metro® units, 102 fully assembled Logistar™ 200, 49 fully assembled Logistar™ 100, 2 fully assembled Teemak™, 47 fully assembled Logistar™ 260 and 8 Neibor® 150 units. In U.S. market, we sold 65 ECVs, including 10 fully assembled Metro® units, 14 fully assembled Teemak™ units, 37 fully assembled Logistar™ 400 units and 4 fully assembled Avantier™ units, compared with nil for the six months ended June 30, 2023.

For the three months ended June 30, 2024, we sold 255 ECVs, including 24 fully assembled Metro® units, 35 fully assembled Logistar™ 200 units, 33 fully assembled Logistar™ 100 units, 15 fully assembled Teemak™ units, 12 fully assembled Logistar™ 260 units, 33 fully assembled Logistar™ 400 units, 2 fully assembled Logistar™ 210 units, 53 fully assembled Avantier™ units, 11 Antric® units, 19 Clubcar units, 15 Neibor® 150 units and 3 Neibor® 200 units, compared with 235 ECVs for the three months ended June 30, 2023, including 139 fully assembled Metro® units, 54 fully assembled Logistar™ 200, 10 fully assembled Logistar™ 100, one fully assembled Teemak™, 23 fully assembled Logistar™ 260 and 8 Neibor® 150 units. In U.S. market, we sold 55 ECVs, including 2 fully assembled Metro® units, 12 fully assembled Teemak™ units, 37 fully assembled Logistar™ 400 units and 4 fully assembled Avantier™ units, compared with nil for the three months ended June 30, 2023.

Geographically, the vast majority of our net revenues were generated from vehicle sales in the North America and European Union during the six months ended June 30, 2024 and 2023. For the six months ended June 30, 2024, net revenues from Europe, North America, and Asia (including China) as a percentage of total revenues was 31.2%, 49.2%, and 19.6%, respectively, compared to 71.8%, 1.3%, and 27.0%, respectively for the corresponding period in 2023.

The vast majority of our net revenues were generated from vehicle sales in the North America during the three months ended June 30, 2024 and 2023. For the three months ended June 30, 2024, net revenues from Europe, North America, and Asia (including China) as a percentage of total revenues was 24.0%, 61.7%, and 14.3%, respectively, compared to 58.3%, 1.5%, and 40.2%, respectively for the corresponding period in 2023.

For the six months ended June 30, 2024, net revenues from vehicle sales in Europe, North America, and Asia (including China) as a percentage of total vehicle net revenues was 35.4%, 59.9%, and 4.7%, respectively, compared to 74.8%, 0.8%, and 24.4%, respectively, for the corresponding period in 2023.

For the three months ended June 30, 2024, net revenues from vehicle sales in Europe, North America, and Asia (including China) as a percentage of total vehicle net revenues was 26.0%, 72.4%, and 1.6%, respectively, compared to 62.5%, 0.6%, and 36.9%, respectively, for the corresponding period in 2023.

Cost of goods sold

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

	Three Months ended June 30,				**Six Months ended June 30,**			
	2024		**2023**		**2024**		**2023**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
(Expressed in U.S. Dollars)	**(Unaudited)**				**(Unaudited)**			
Cost of goods sold:								
Vehicle Sales	$(4,362,763)	61.5%	$(3,228,346)	104.5%	$ (6,718,166)	64.1%	$(6,023,108)	94.6%
Spare-part sales	(972,800)	13.7%	263,139	(8.5)%	(1,893,090)	18.1%	(201,085)	3.2%
Other sales	(34,168)	0.5%	(125,068)	4.0%	(136,203)	1.3%	(141,882)	2.2%
Inventory write-down	(1,725,891)	24.3%	-	-	(1,725,891)	16.5%	-	-
Total cost of goods sold	$(7,095,622)	100.0%	$(3,090,275)	100.0%	$(10,473,350)	100.0%	$(6,366,075)	100.0%

Cost of goods sold for the six months ended June 30, 2024 was approximately $10.5 million, an increase of approximately $4.1 million or approximately 64.5% from approximately $6.4 million for the six months ended June 30, 2023. The increase of cost of vehicle sales was mainly caused by the increase in the inventory write-down of approximately $1.7 million compared to nil in the corresponding period in 2023 and the increased cost of vehicle sales and spare-parts sales of approximately $0.7 million and $1.7 million, respectively.

Cost of goods sold for the three months ended June 30, 2024 was approximately $7.1 million, an increase of approximately $4.0 million or approximately 129.6% from approximately $3.1 million for the three months ended June 30, 2023. The increase of cost of vehicle sales was mainly caused by the increase in the inventory write-down of approximately $1.7 million compared to nil in the corresponding period in 2023 and the increased cost of vehicle sales and spare-parts sales of approximately $1.1 million and $1.2 million, respectively.

Gross Profit/(Loss)

Gross Profit for the six months ended June 30, 2024 was approximately $1.2 million, a decrease of approximately $0.1 million from approximately $1.3 million of gross profit for the six months ended June 30, 2023. For the six months ended June 30, 2024 and 2023, our overall gross margin was approximately 10.6% and 17.4%, respectively. Our gross margin of vehicle sales for the six months ended June 30, 2024 and 2023 was 12.1% and 16.7%, respectively. The decrease of our overall gross profit was caused by the increase in inventory write-down of approximately $1.7 million and the decrease in the gross profit of our spare-part sales and other sales of approximately $0.1 million, offset by the increase in the gross profit of our vehicle sales of approximately $1.7 million including approximately $1.0 million increase in the US market sale in the six months ended June 30, 2024 compared with the same period in 2023.

Gross Profit for the three months ended June 30, 2024 was approximately $1.2 million, an increase of approximately $0.1 million from approximately $1.1 million of gross profit for the three months ended June 30, 2023. For the three months ended June 30, 2024 and 2023, our overall gross margin was approximately 14.7% and 27.1%, respectively. Our gross margin of vehicle sales for the three months ended June 30, 2024 and 2023 was 14.2% and 26.4%, respectively. The increase of our overall gross profit was mainly caused by an increase in the gross profit of our vehicle sales and spare-part sales of approximately $1.6 million and $0.2 million, respectively, offset by the increase in the inventory write-down of approximately $1.7 million.

Selling and Marketing Expenses

Selling and marketing expenses for the six months ended June 30, 2024 were approximately $2.6 million, a decrease of approximately $2.0 million or approximately 43. 1% from approximately $4.6 million for the six months ended June 30, 2023. The decrease in selling and marketing expenses in 2024 was primarily attributed to the decrease in salary expenses, share-based compensation and marketing expense of approximately $1.1 million, $0.3 million and $0.6 million, respectively.

Selling and marketing expenses for the three months ended June 30, 2024 were approximately $1.3 million, a decrease of approximately $1.4 million or approximately 52.4% from approximately $2.7 million for the three months ended June 30, 2023. The decrease in selling and marketing expenses in 2024 was primarily attributed to the decrease in salary expenses, share-based compensations and marketing expense of approximately $1.0 million, $0.1 million and $0.3 million, respectively.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2024 were approximately $14.0 million, a decrease of approximately $2.6 million or approximately 15.8% from approximately $16.6 million for the six months ended June 30, 2023. The decrease in general and administrative expenses in 2023 was primarily attributed to a decrease in legal and professional fee, office expenses and share-based compensation of approximately $1.4 million, $1.8 million and $0.4 million, respectively, offset by the increase in salary expense of approximately $0.9 million.

General and administrative expenses for the three months ended June 30, 2024 were approximately $7.7 million, a decrease of approximately $1.6 million or approximately 17.6% from approximately $9.3 million for the three months ended June 30, 2023. The decrease in general and administrative expenses in 2024 was primarily attributed to a decrease in office expenses, legal and professional fee, share-based compensation and others of approximately $1.2 million, $0.9 million, $0.2 million and $0.4 million, respectively, offset by the increase in salary and social insurance of approximately $1.1 million. The decrease in the others category of approximately $0.4 million mainly including the decrease of compensation insurance expense and tax expense on deposit interest income paid of $0.4 million in the same period of 2023.

Research and Development Expenses

Research and development expenses for the six months ended June 30, 2024 were approximately $2.8 million, a decrease of approximately $0.9 million or approximately 24.2% from approximately $3.7 million for the six months ended June 30, 2023. The decrease in research and development expenses in 2024 was primarily attributed to the decrease in design and development expenditures of approximately $1.3 million, offset by the increase in salary expense of approximately $0.4 million.

Research and development expenses for the three months ended June 30, 2024 were approximately $1.1 million, a decrease of approximately $1.1 million or approximately 49.2% from approximately $2.1 million for the three months ended June 30, 2023. The decrease in research and development expenses in 2024 was primarily attributed the decrease in design and development expenditures of approximately $1.2 million, offset by the increase in salary expense of approximately $0.1 million.

Interest income (expense), net

Interest expense, net, mainly consists of interest on convertible bonds. Net interest expense was approximately $0.02 million for the six months ended June 30, 2024, representing a decrease of approximately $0.03 million or approximately 53.8% compared to the approximately $0.05 million in interest expense for the six months ended June 30, 2023.

Interest expense, net, mainly consists of interest on convertible bonds. Net interest expense was approximately $0.1 million for the three months ended June 30, 2024, a change of approximately $0.1 million compared to the approximately one thousand U.S dollar in interest income for the three months ended June 30, 2023.

Other income (expense), net

Other expense, net for the six months ended June 30, 2024 was approximately $0.6 million, representing a decrease of approximately $0.2 million compared to approximately $0.8 million of other expense, net for the six months ended June 30, 2023. The decrease of other expense in 2024 compared to 2023 was primarily attributable to an increase in loss on foreign currency exchange and investment gain of approximately $0.6 million, offset by an increase of approximately $0.3 million investment gain and an increase of approximately $0.2 million in income on disposal of PPE from CAC during the second quarter of 2024.

Other expense, net for the three months ended June 30, 2024 was approximately $0.4 million, representing a decrease of approximately $0.7 million compared to approximately $1.1 million of other expense, net for the three months ended June 30, 2023. The change of other expense in 2024 compared to 2023 was primarily attributable to an increase in loss on foreign currency exchange of approximately $1.0 million, offset by an increase of approximately $0.1 million investment gain and an increase of approximately $0.2 million in income on disposal of PPE from CAC during the second quarter of 2024.

Change in fair value of convertible promissory notes and derivative liability

A gain in the change in fair value of convertible promissory notes and derivative liability for the six months ended June 30, 2024 was approximately $0.01 million, representing a decrease of approximately $0.06 million compared to approximately $0.07 million for six months ended June 30, 2023.

A gain in the change in fair value of convertible promissory notes and derivative liability for the three months ended June 30, 2024 was approximately $0.01 million, representing a decrease of approximately $0.19 million compared to approximately $0.2 million for the three months ended June 30, 2023.

Change in fair value of equity securities

A gain in the change in fair value of equity securities for the six months ended June 30, 2024 was approximately $0.5 million, representing a decrease of approximately $0.2 million compared to approximately $0.7 million of a gain in the change in fair value of equity securities for the six months ended June 30, 2023.

A gain in the change in fair value of equity securities for the three months ended June 30, 2024 was approximately \$0.3 million, representing an increase of approximately \$0.2 million compared to approximately \$0.1 million of a gain in the change in fair value of equity securities for the three months ended June 30, 2023.

Non-GAAP Financial Measures

Adjusted EBITDA for the three and six months ended June 30, 2024 and 2023

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

Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. We define Adjusted EBITDA as net income (or net loss) before net interest expense, income tax expense, depreciation and amortization as further adjusted to exclude the impact of stock-based compensation expense and other non-recurring expenses including expenses related to 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 June 30,		Six Months ended June 30,	
	2024	2023	2024	2023
(Expressed in U.S. Dollars)	(Unaudited)		(Unaudited)	
Net loss	$ (9,193,795)	$ (14,077,166)	$ (18,424,018)	$ (25,191,143)
Interest (expense) income, net	97,788	(1,262)	24,546	53,153
Income tax benefit (expense)	(4,683)	25,468	(34,715)	25,468
Depreciation and amortization	975,244	455,779	975,244	786,411
Share-based compensation expense	866,793	1,256,484	1,773,120	2,410,291
Loss on redemption of convertible promissory notes	-	(1,900)	-	101
Loss on exercise of warrants	-	14,745	-	227,615
Change in fair value of convertible promissory notes and derivative liability	(9,237)	(199,698)	(8,532)	(73,425)
Adjusted EBITDA	$ (7,267,889)	$ (12,527,550)	$ (15,694,354)	$ (21,761,529)

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. Our Cash is required primarily to purchase raw materials, and pay salaries, office expenses and other operating expenses.

As of June 30, 2024, we had approximately $16.2 million in cash and cash equivalents, approximately $7.9 million of accounts receivables, and approximately $41.3 million of inventory as compared to approximately $29.4 million in cash and cash equivalents, $6.5 million in accounts receivable, and $43.9 million in inventory as of December 31, 2023. For the six months ended June 30, 2024 and 2023, net cash used in operating activities was approximately $12.7 million and $35.5 million, respectively.

Short-Term Liquidity Requirements

We are looking at measures to generate operating efficiency as well as increasing the inventory turns in containing the growth of working capital for reducing negative net cash used in operating activities. With the cash improvement initiatives, 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 this 10Q. 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[1]. 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*."

[1] NTD: Company to provide any additional business plans requiring material capital over the next twelve months.

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 several geographic markets. Through our supply chain development know-how, we intend to establish supply chain relationships especially in the North America 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. 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 June 30, 2024, we have spent over approximately $92.8 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 June 30, 2024, our working capital was approximately $60.6 million, as compared to a working capital of approximately $75.6 million as of December 31, 2023. The approximately $15.0 million decrease in working capital during 2024 was primarily due to the decrease of cash and cash equivalents and inventories of approximately $13.1 million and $2.6 million, respectively, offset by the increase in accounts receivable, accounts and notes payable and accrued expense and other current liabilities of approximately $1.3 million, $0.2 million and $0.2 million, respectively.

Cash Flow

	Six Months Ended June 30,	
	2024	**2023**
(Expressed in U.S. Dollars)	**(Unaudited)**	
Net cash used in operating activities	$ (12,710,460)	$ (35,499,138)
Net cash used in by investing activities	(349,921)	(9,988,521)
Net cash (used in) provided by financing activities	461,636	(45,583,321)
Effect of exchange rate changes on cash	(546,408)	(2,543,188)
Net decrease in cash, cash equivalents, and restricted cash	(13,145,153)	(93,614,168)
Cash and cash equivalents, and restricted cash at beginning of the period	29,571,897	154,096,801
Cash and cash equivalents, and restricted cash at end of the period	$ 16,426,744	$ 60,482,633

Operating Activities

Our net cash used in operating activities was approximately $12.7 million, $35.6 million for the six months ended June 30, 2024 and 2023, respectively.

Net cash used in operating activities for the six months ended June 30, 2024 was primarily attributable to (i) our net loss of approximately $18.4 million and adjusted for non-cash items of approximately $7.1 million, which primarily consisted of share based compensation expense, net foreign currency exchange loss, depreciation and amortization, impairment of slow-moving inventories and amortization of operating lease right-of-use asset of approximately $1.8 million, $0.6 million, $1.0 million, $1.7 million and $2.4 million, respectively, (ii) the increase in accounts receivable, prepayment and other current assets and operating lease liabilities and of approximately $1.5 million, $1.5 million and $1.9 million, respectively, (iii) increase in deferred revenue, accrued expense and other current liabilities, and accounts payable of approximately $1.8 million, $0.2 million and $0.1 million, respectively, (iv) decrease in inventories and other non-current assets of approximately $0.7 million and $0.8 million, respectively.

Investing Activities

Net cash used in investing activities was approximately $0.4 million for the six months ended June 30, 2024. Net cash used in investing activities for the six months ended June 30, 2024 was primarily attributable to cash paid in acquisition of 80% of Hezhe's shares of approximately $0.4 million, approximately $0.7 million in purchase of plant and equipment, offset by the cash from redemption of equity securities investment of approximately $0.6 million.

Financing Activities

Net cash provided by financing activities was approximately $0.5 million for the six months ended June 30, 2024. Net cash provided by financing activities for the six months ended June 30, 2024 was primarily attributable to approximately $0.5 million due to proceeds from bank loans.

Contractual Obligations

In February 2021, we signed a non-cancellable operating lease agreement for warehouse and trial production use in Freehold, New Jersey (Willowbrook Road) of approximately 9,750 square feet. The lease period began in February 2021 and ends in January 2025. The annual base rent for this facility is $175,500 starting from February 2023. The lease rent fee will be adjusted upward by 3% annually afterwards. We signed the first addendum to lease on December 7, 2022 and the renewal period is two years commencing on Feb. 1, 2023 and terminating on Jan. 31, 2025, the annual base rent for the first twelve months the period is $17,500 and the annual base rent for the second twelve months the period is $180,765.The lease terminated on May 31, 2024.

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

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

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

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

On May 19, 2023, we completed the acquisition with Cenntro Elecautomotiv, S.L., our EVC in Spain. On April 3, 2023, Cenntro Elecautomotiv, S.L. signed a non-cancellable operating lease agreement for approximately 1,765 square feet as a local office in Barcelona, Spain, the lease period began on April 3, 2023 and the lease term is five years. The monthly rent is €1,776 (or approximately $1,919.9) plus value-added tax with a two-month rent abatement period. In addition, Cenntro Elecautomotiv, S.L. signed a non-cancellable operating lease agreement for approximately 3,471 square feet as a service center in Barcelona, Spain on August 9, 2022, the lease period began on August 1, 2022 and the lease term is ten years. The annual rent is €36,000 (or approximately $38,916) and shall be readjusted depending on the changes of the consumer price index (CPl) determined by the National Bureau of Statistics and its substitute institutions. Legal defense is €6,000 (or approximately $6,486). The lease of local office terminated on April 10, 2024.

On April 4, 2023, we signed a non-cancellable operating lease agreement for approximately 2,500 square feet in Freehold, New Jersey. The lease period commenced on July 17, 2023 and ends on July 31, 2025. The annual base rent for the first twelve months of the period is $33,525 and the annual base rent for the second twelve months of the period is $35,201. The lease terminated on June 30, 2024.

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

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

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

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

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

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

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

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

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our Unaudited 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 six months ended June 30, 2024, included elsewhere in this Semi-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, 2023, which has been derived from audited financial statements, and the unaudited condensed consolidated financial statements as of June 30, 2024 and for the six months ended June 30, 2024 and 2023 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

Certain information and disclosures, which are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures made are adequate to provide a fair presentation. The interim financial information should be read in conjunction with the financial statements and the notes for the fiscal year ended December 31, 2023. The results of operations for the six months ended June 30, 2024 are not necessarily indicative of the results for the full year or any future periods..

Use of estimates

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

The following table disaggregates the Company's revenues by product line for the six months ended June 30, 2024 and 2023:

	For the Six Months Ended June 30, (Unaudited)	
	2024	**2023**
Vehicles sales	$ 9,610,536	$ 7,226,049
Spare-parts sales	1,978,161	344,702
Other service income	123,794	137,313
Net revenues	$ 11,712,491	$ 7,708,064

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

	For the Six Months Ended June 30, (Unaudited)	
	2024	**2023**
Primary geographical markets		
Europe	$ 5,763,387	$ 96,702
Asia	3,654,430	5,531,486
America	2,294,674	2,079,876
Total	$ 11,712,491	$ 7,708,064

Contract Balances

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

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received consideration. The consideration received remains a contract liability until goods or services have been provided to the customer. For the six months ended June 30, 2024 and 2023, the Company recognized $923,815 and $479,499 revenue that was included in contract liabilities as of December 31, 2023 and 2022, respectively.

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

	June 30, 2024	December 31, 2023
Accounts receivable, net	$ 7,871,086	$ 6,530,801
Contractual liabilities	$ 5,476,006	$ 3,394,044

Recently issued accounting standards pronouncement

Except for the ASUs ("Accounting Standards Updates") issued but not yet adopted disclosed in "Note 2 (ab) Recently issued accounting standards pronouncements" of the Company 2023 Form 10-K, there is no ASU issued by the FASB that is expected to have a material impact on the Company's unaudited condensed consolidated results of operations or financial position. The Company is an "emerging growth company" ("EGC") as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, 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 financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Our management, with the participation of our CEO and acting CFO, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024, as required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act. Based on this evaluation, management concluded that the Company's disclosure controls and procedures was not effective as of June 30, 2024, due to material weaknesses in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that have been previously identified but continue to exist. See Part II, Item 9A of the 2023 Form 10-K for additional information.

Changes in Internal Control over Financial Reporting

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

Remediation

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

PART II

ITEM 1. LEGAL PROCEEDINGS

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

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

In June 2022, Sevic Systems SE ("Sevic") filed for injunctive relief in a corporate court in Brussels, Belgium, alleging that Cenntro Automotive Europe GmbH ("CAE") infringed on 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. ("CEGL") and distributed by CAE derives directly from the CITELEC. Sevic alleges the distribution of the METRO infringes on Sevic's IP rights. In its action, Sevic relies on (Belgian) copyright law and unfair business practices. On February 2, 2023, the president of the commercial court of Brussels rendered a judgment, declaring i) the claim against Cedar was inadmissible and ii) The main claim against CAE and LEIE was founded. According to the president's opinion the CITELEC-model can enjoy copyright protection and determined it was sufficiently proven that Sevic acquired the copyrights of the CITELEC-model. The president then concluded that the distribution of the METRO-model in Belgium constituted a violation of article XI. 165 §1 of the Belgian Code of Economic Law and thereby ordered the cessation of the distribution of the METRO-model, a penalty in the form of a fine of EUR20,000.00 per sold vehicle in Belgium and EUR5,000.00 for each other infringement in Belgium after the judgement was served with a maximum fine of EUR500,000.00 for LEIE and EUR1,000,000.00 fine for CAE. Because CAE has not sold any METRO-models in Belgium, the Company believes the judgement is incorrect but has accrued the related liability according to the judgement made. On April 17,2023 CAE filed a writ of appeal. The introductory hearing was scheduled for May 22, 2023. The judge did not give any legal assessment at the hearing. All parties have been granted deadlines for written pleadings. The receipt of the final writ has been planned for September 2, 2024. As of the date of this Quarterly Report, it is not clear what the outcome of these proceedings will be.

On July 22, 2022, Xiongjian Chen filed a complaint against Cenntro Electric Group Limited ("CEGL"), 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 CEGL without prejudice and permitted the Plaintiff to amend his complaint within 30 days to address the deficiencies in his claims against Wang and CEGL. On May 28, 2023, Plaintiff filed an amended complaint. On July 20, 2023 the Defendants filed a motion seeking the dismissal of that amended complaint. On September 22, 2023, the Plaintiff filed to oppose our Motion to Dismiss and Motion to Strike. The Defendants filed reply briefs by the deadline on November 9, 2023. On January 25, 2024, the Magistrate Judge entered an Order granting Plaintiff's Motion to Amend and denying our Motion to Strike as moot.

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

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

On March 18, 2024, EastGroup Properties, LP filed a summons for eviction against Cenntro Automotive Group (“CAG”) for default of rents on commercial leased property located in Duval County, Jacksonville, Florida. It is alleged that CAG was behind in rental payments to the landlord. As of the date of this Quarterly Report, the case remains open and both parties are negotiating settlement.

On April 22, 2024, BRI 2240 North Lane Avenue, LLC filed a summons for eviction against Cenntro Automotive Group (“CAG”) for default of rents on commercial leased property located in Duval County, Jacksonville, Florida. It is alleged that CAG was behind in rental payments to the landlord. As of the date of this Quarterly Report, CAG has vacated the premises, the case remains open and is in the early stages of negotiating settlement between the parties.

On May 6, 2024, 225 Willow Brook Rd, LLC filed a summons notice against Cenntro Automotive Corporation (“CAC”) noting default of rents on commercial leased property located in Monmouth County, Freehold, New Jersey. It is alleged that CAC was behind in rent payments to the landlord. CAC has vacated the premises, turned in all keys and all other material items belonging to the landlord and in CAC’s possession at the time and notified the Landlord of the same. As of the date of this Quarterly Report, the case remains open.

On June 24, 2024, EWI Worldwide, Inc., through representation sent a Demand for Arbitration regarding contract dispute with Cenntro Automotive Corporation (“CAC”). It is alleged that an outstanding balance is owed in the amount of $271,255.79, excluding legal and filing fees associated therewith. Said breach of contract involves the lease and set-up of tradeshow display equipment. As of the date of this Quarterly Report, the case remains open and is in the early stages of negotiating settlement between the parties.

ITEM 1A. RISK FACTORS

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

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements of Section 16 Reporting Persons.

During the quarter ended June 30, 2024, no person who is required to file reports pursuant to Section 16(a) of the Securities and Exchange Act of 1934, as amended, with respect to holdings of, and transactions in, the Company's common shares (i.e. directors and certain officers of the Company) maintained, adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1(c) arrangement", as those terms are defined in Section 229.408 of the regulations of the SEC.

ITEM 6. Exhibits

EXHIBIT INDEX

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

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

CENNTRO INC.

Dated: August 13, 2024.

CENNTRO INC.

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

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

Exhibit 31.1

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

I, Peter Z. Wang, certify that:

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

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

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

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

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

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

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

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

Dated: August 13, 2024

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

Exhibit 31.2

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

I, Edward Ye, certify that:

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

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

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

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

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

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

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

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

Dated: August 13, 2024

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

Exhibit 32.1

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

In connection with the quarterly report of Cenntro Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 13, 2024

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

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