

Explanatory Memorandum

This Explanatory Memorandum and all attachments are important documents and should be read carefully. If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact Cenntro Electric Group Limited (the “Company”) or your professional advisor.

This Explanatory Memorandum has been prepared for Shareholders in connection with the annual general meeting of the Company (the “Annual Meeting”) to be held on **Friday, September 1, 2023, at 8:30 a.m. New York time (Friday, September 1, 2023, at 8:30 p.m. (Shanghai time), and Friday, September 1, 2023, at 10:30 p.m. (Australian Eastern time))**.

The purpose of this Explanatory Memorandum is to provide shareholders with information that the board of directors of the Company believes to be material to shareholders in deciding whether or not to approve the resolutions detailed in this memorandum.

Item 1 Financial and related reports

To access and consider the Financial Report of the Company and its controlled entities and the related Directors’ Report and Auditor’s Report in respect of the financial year ended 31 December 2022, please visit ir.cenntroauto.com.

Section 317 of the Corporations Act requires the Company’s Financial Report, Directors’ Report and the Auditor’s Report for the financial year ended 31 December 2022 to be laid before the Company’s Annual Meeting.

The Financial Report contains the consolidated financial statements of the Company and its controlled entities as required to be prepared and submitted with the Australian Securities and Investments Commission (“ASIC”) in accordance with section 319 of the Corporations Act. As such, the Financial Report and the consolidated financial statements included therein have been prepared and audited in accordance with the requirements of the Corporations Act. The Company’s Financial Report is separate and distinct from the Company’s Annual Report on Form 10-K, which includes the Company’s annual financial statements that have been prepared and audited in accordance with U.S. GAAP. The Company’s Financial Report and the consolidated financial statements included therein are being presented to the Shareholders solely for the purposes of statutory compliance with the requirements of the Corporations Act.

Neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual Meeting on the Company’s Financial Report, Directors’ Report and the Auditor’s Report for the financial year ended 31 December 2022.

Shareholders are being provided with a reasonable opportunity to ask questions about these statements and reports ahead of the Annual Meeting. Shareholders may address written questions to the Chair about the management of the Company. All questions should be submitted by email to the Company Secretary at least two days prior to the Annual Meeting. The Chair of the Annual Meeting will allow Shareholders to ask questions of Wis Audit Pty Ltd or its representative prior to the Annual Meeting relevant to:

- a) the conduct of the audit;
- b) the preparation and content of the Auditor’s Report;
- c) the accounting policies adopted by the Company in relation to the preparation of its ASIC Audited Financial Statements;
- d) the independence of the auditor in relation to the conduct of the audit.

Proposal 1 and Proposal 2 The Director Re-Election Proposals

Rule 19.3(c) of the Constitution provides that at the Company’s annual meeting held in 2023 and at every third annual general meeting thereafter, if a person eligible for election to the office of a Class II director of the Company has been

validly nominated by the Shareholders for election as director of the Company at the annual meeting held in 2023, each Class II director must retire at the annual meeting held in 2023 and, unless he or she gives notice to the contrary, will be submitted for re-election. Rule 19.3(e) provides that the Company may, by resolution at an annual general meeting, fill an office vacated by a director under Rule 19.3(c) by electing or re-electing an eligible person to the same class as the directors who were required to retire at the annual meeting under rule 19.3(c).

Mr. Jiawei “Joe” Tong was appointed as a non-executive class II director of the Company on December 30, 2021 pursuant to resolutions adopted at the Company’s extraordinary general meeting held on 21 December 2021.

Dr. Yi Zeng was appointed as a non-executive class II director of the Company on September 16, 2022 to fill the vacancy created by the departure of Justin Davis-Rice from the Board pursuant to ordinary resolution.

On July 14, 2023 Mr. Tong and Mr. Zeng announced to the Nominating Committee and the Board of their intention to resign retire effective immediately prior to the meeting and offer themselves for re-election at the meeting. On July 14, 2023, the Nominating Committee of the Board considered and recommended to the Board that it nominate Mr. Tong and Mr. Zeng for re-election as Class II directors to serve until the 2026 annual general meeting of Shareholders of the Company.

All shares duly voted will be voted for the election of directors as specified by the shareholders. No proxy may be voted for more people than the number of nominees listed below. Unless otherwise instructed, the proxy holders will vote the proxies received by them “FOR” the election of each of the nominees named below. If any director nominee is unable or declines to serve as a director at the time of the Annual Meeting, although we know of no reason to anticipate that this will occur, the proxies will be voted for any nominee designated by the present Board to fill the vacancy. There are no family relationships between any of the members of our Board and our executive officers. The following paragraphs set forth information regarding the current ages, positions, and business experience of the director nominees.

About Dr. Yi Zeng

Dr. Zeng became a member of our Board on September 16, 2022 and has over 30 years’ experience in the energy industry, management, marketing and research. From 2016 to 2017, Dr. Zeng served as a non-executive Director of an energy company Range Resources Pty. Ltd, a former public company that was listed on both the London and Australian Stock Exchanges. He retired thereafter to enjoy family life. From 2011 to 2016, Dr. Zeng served as an independent consultant for Kori Ltd. From 2011 to 2012, he was the managing director of Lomon Pty. Ltd. a former public company that was listed on the Australian Stock Exchange. From 2007-2009, Dr. Zeng was the Asia Pacific Regional Marketing Manager of Titanium, BHP Billiton Shanghai, a global energy and mining company. Prior to that Dr. Zeng served as a Principle and Senior Scientist at BHP Exploration & Mining Technology in Melbourne, Australia from 2000 to 2007. Dr. Yi Zeng holds a Ph.D. in Geophysics from Victoria University of Wellington, New Zealand; an MSc in Applied Geophysics Exploration from Chengdu College of Geology, China; and a BSc in Geophysical Exploration from Chengdu University of Technology, China. The Company believes Dr. Zeng’s extensive experience in management, technical, and research with global and Australian-based companies makes him well suited to serve as a member of the Board.

About Jiawei “Joe” Tong

Mr. Tong became a member of our Board following the closing of the Combination on December 30, 2021, and serves on each of our audit committee, compensation committee and nominating committee. Mr. Tong co-founded MeetChina, a leading B2B e-commerce website for China in 1998 and served as its Chief Executive Officer and Director from 1998 to 2003. In 2007, Mr. Tong joined Telstra Sensis as its President of China, and helped build Fang.com (NASDAQ: SFUN), a leading real-estate company website in China, and Autohome Inc. (NYSE: ATHM), a leading automotive company website. In 2016, Mr. Tong joined Ford Motor Company as its Head of Smart Mobility, China. Mr. Tong holds a bachelor’s degree in Computational Mathematics from Nanjing University, and a Master of Business Administration in Finance and Strategic Marketing from the University of Pennsylvania’s Wharton School of Business. We believe Mr. Tong is qualified to serve on our Board due to his past experience with business-to-business enterprises and in the automotive industry.

Recommendation of the Board

OUR BOARD UNANIMOUSLY RECOMMENDS THAT OUR SHAREHOLDERS VOTE “FOR” EACH OF PROPOSALS 1 AND 2.

Proposal 3 Ratification of the Appointment of the Company’s the Company’s United States Independent Registered Public Accounting Firm

Good Faith CPA Limited (“Good Faith”) has been the Company’s auditors since 2023.

This resolution is put to shareholders to ratify the Audit Committee’s selection of Good Faith to serve as the Company’s independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2023. In the event that shareholders fail to ratify the selection of Good Faith, the Audit Committee of the Board will reconsider this selection.

Notwithstanding the appointment of Good Faith as the Company's auditor for the purposes of for the purposes of preparing our financial accounts in accordance with U.S GAAP, Cenntro is also subject to the Corporations Act, which requires financial statements prepared and audited in accordance with AAS and IFRS. The Company has appointed Wis Audit Pty Ltd as the Company’s Australian auditor for the purposes of auditing the Company’s required financial statements under the Corporations Act.

Recommendation of the Board

OUR BOARD UNANIMOUSLY RECOMMENDS THAT OUR SHAREHOLDERS VOTE “FOR” PROPOSAL 3.

Proposal 4 Approval of the Share Consolidation

The Company proposes to consolidate its share capital in accordance with section 254H(1) of the Corporations Act. The consolidation ratio will consolidate every 10 shares into 1 share (the “**Consolidation**”). Other Company securities whose value is derived in part from the value of the Shares, including without limitation warrants, options, performance rights, convertible notes or other securities, will be proportionately adjusted to account for the Consolidation, in accordance with their respective terms.

Fractional entitlements

Not all shareholders in the Company will hold a number of Shares which can be evenly divided by the consolidation ratio for the Consolidation. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole share.

Reasons for the Share Consolidation

On December 22, 2022, we received a letter from the Listing Qualifications Department of the Nasdaq Stock Market (“Nasdaq”) informing us that our Ordinary Shares were not in compliance with the minimum \$1.00 bid price per share requirement of Nasdaq Listing Rule 5550(a)(2) and Nasdaq Listing Rule 5810(c)(3)(A) (the “Minimum Bid Price Requirement”). Pursuant to the Nasdaq Listing Rule 5810(c)(3)(A), we were provided an initial compliance period of 180 calendar days to regain compliance with the Minimum Bid Price Requirement. To regain compliance, the closing bid price of the Ordinary Shares must be at least \$1.00 per share for a minimum of 10 consecutive trading days, and we must otherwise satisfy the Nasdaq Capital Market’s requirements for listing. The Consolidation is a key element of our strategy to regain compliance under the Minimum Bid Price Requirement.

The Company did not regain compliance with the minimum bid price requirement during the initial 180 calendar day compliance period. However, on June 21, 2023, the Company received a second notice from Nasdaq’s Listing Qualifications Department, stating that Nasdaq’s staff had determined that the Company was eligible for an additional

180 calendar day period (until December 18, 2023) to regain compliance. In order to regain compliance during the additional compliance period, the bid price for Shares must close at US\$1.00 per Share or more for a minimum of ten consecutive business days. The Company intends to cure the deficiency during the second compliance period by effecting the Share Consolidation contemplated hereby.

Failure to approve the Share Consolidation may potentially have serious, adverse effects on the Company and its Shareholders. The Shares could be delisted from Nasdaq because the Shares may continue to trade below the requisite US\$1.00 per share price needed to maintain the Company's listing in accordance with Nasdaq Listing Rule 5550(a)(2). The Shares may then trade on the OTC Bulletin Board or other small trading markets, such as the pink sheets. In that event, the Shares could trade thinly as a microcap or penny stock, and may be avoided by retail and institutional investors, resulting in the impaired liquidity of the Shares.

The Share Consolidation, if effected, will have the immediate effect of increasing the price of the Shares as reported on Nasdaq, therefore reducing the risk that the Shares could be delisted from Nasdaq.

The Board strongly believes that the Share Consolidation is necessary to maintain the Company's listing on Nasdaq. Accordingly, the Board has approved the adoption Share Consolidation and directed that it be submitted to Shareholders for approval at the Annual Meeting.

Management and the Board have considered the potential harm to the Company and its Shareholders should Nasdaq delist the Shares from trading on Nasdaq. Delisting could adversely affect the liquidity of the Shares since alternatives, such as the OTC Bulletin Board and the pink sheets, are generally considered to be less efficient markets. An investor likely would find it less convenient to sell, or to obtain accurate quotations in seeking to buy, the Shares on an over-the-counter market. Many investors likely would not buy or sell the Shares due to difficulty in accessing over-the-counter markets, policies preventing them from trading in securities not listed on a national exchange, or other reasons.

In addition, the proposed Share Consolidation will rationalize the share capital of the Company by reducing the number of Shares issued and outstanding and result in the Company having a more appropriate number of issued shares. The Board believes that this may help to make investing in the Company's shares more attractive to a broader range of institutional and professional investors and other members of the investing public. In addition, low-priced shares may be more prone to speculation, and therefore are generally more volatile as compared to higher-priced shares. Accordingly, the Board believes that the proposed Share Consolidation will help reduce short-term share price volatility and offset the effects of share-term share price speculation and reduce fluctuations in the Company's market capitalization.

Taxation

The summary in this section is general in nature. In addition, particular taxation implications will depend upon the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek and rely only on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Share Consolidation.

The Share Consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder in the Company as a result of the Share Consolidation.

No capital gains tax event should occur as a result of the Share Consolidation and therefore there should be no taxation implications arising for the Shareholders.

Timetable

If Proposal 4 is passed, the Company will authorize the Board to adopt the Share Consolidation by ordinary resolution on or before Monday, December 18, 2023. Should the Share Consolidation be completed, the transaction will be announced by press release and by filing with the SEC a Report on Form 8-K.

Recommendation of the Board

OUR BOARD UNANIMOUSLY RECOMMENDS THAT OUR SHAREHOLDERS VOTE “FOR” PROPOSAL 4.