

REFINITIV

# DELTA REPORT

## 10-Q

NORTHANN CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2270
CHANGES	145
DELETIONS	963
ADDITIONS	1162

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 **September 30, 2023** **March 31, 2024**

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

For the transition period from to

Commission File No. 001-41816

**NORTHANN CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**88-1513509**

(I.R.S. Employer  
Identification No.)

**c/o Northann Distribution Center Inc.  
9820 Dino Drive, Suite 110  
Elk Grove, CA 95624**

(Address of Principal Executive Offices)

**95624**

(Zip Code)

**(916) 573 3803**

(Registrant's telephone number, including area code)

**N/A**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	NCL	NYSE American LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of **November** **May** **17** **20**, **2023**, **2024**, there were **21,380,000** **23,240,000** shares of common stock of the Registrant, par value \$0.001 per share, issued and outstanding.

Northann Corp.  
Quarterly Report on Form 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHANN CORP.  
CONSOLIDATED BALANCE SHEETS  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS(Unaudited)  
(In U.S. dollars)

	As of March 31, 2024 (Unaudited)	As Decem 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 90,527,590,169	\$ 251,103,765
Restricted cash		3,720,376
Accounts receivable, net		1,453,178,253,962
Inventory, net		5,771,886,284,811
Prepayments		655,418,317,267
Other receivables and other current assets		105,996,47,257
<b>Total current assets</b>		<b>8,080,725,6,338,231</b>

<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment, net		4,856,005	4,549,995
Construction in progress		942,754	1,232,580
Land use rights, net		1,023,436	1,023,235
Operating lease right-of-use assets, net		94,992	79,673
Security deposits			9,030
Deferred financing costs	218,354	6,894,513	218,35
<b>Total non-current assets</b>		<b>7,144,571</b>	
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>15,225,296</b>	<b>13,232,744</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY DEFICIT</b>			
<b>CURRENT LIABILITIES</b>			
Bank borrowings - current		6,683,989	4,494,627
Operating lease liabilities, current		31,024	31,807
Accounts and other payables and accruals		6,913,750	4,280,334
Taxes payable		25,929	510,968
Unearned revenue		1,178,805	1,573,969
Amounts due to related parties		1,161,842	1,386,943
Obligation under secured borrowing arrangement		830,508	71,169
<b>Total current liabilities</b>		<b>16,825,847</b>	<b>12,349,817</b>
Bank borrowings – non-current		127,829	122,712
Operating lease liabilities, – non-current	63,968		
Convertible notes, net, non-current		- 47,866	313
<b>Total non-current liabilities</b>		<b>191,797</b>	<b>170,578</b>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>17,017,644</b>	<b>12,520,395</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>STOCKHOLDERS' EQUITY</b>			
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 5,000,000 10,000,000 shares issued and outstanding as of September 30, 2023 March 31, 2024and December 31, 2022* December 31, 2023		5,000	
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 40,000,000 shares issued and outstanding as of September 30, 2023 March 31, 2024and December 31, 2022* December 31, 2023		20,000	21,380
Subscription receivable			(25,000)
Additional paid-in capital		925,000	6,671,016
Retained earnings		(1,614,604)	5,253,908
Accumulated other comprehensive loss		(1,102,744)	706,139
<b>Total stockholders' equity</b>		<b>712,349</b>	<b>(1,792,348)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b>15,225,296</b>	<b>13,232,744</b>

\*Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 17)

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

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NORTHANN CORP.  
CONSOLIDATED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited)  
(In U.S. dollars)

	Three Months Ended			
	March 31,			
	2024	2023		
	(Unaudited)	(Unaudited)		
REVENUES	\$ 2,160,258 4,595,531	\$ 5,480,966	\$ 9,436,881	\$ 19,807,551 2,734,933
COST OF REVENUES	3,423,295 3,051,541	2,615,972	8,547,213	14,851,873 1,484,991
GROSS PROFIT	(1,263,037)	2,864,994 1,543,990	889,668	4,955,678 1,249,942
OPERATING EXPENSES				
Selling expenses	218,375	198,491		
General and administrative expenses	485,037	355,127		
Research and development expenses	512,597			
Selling expenses	193,236	253,484	538,672	822,082
General and administrative expenses	354,902	1,510,515	1,094,228	2,061,898
Research and development expenses	99,161	383,289	609,476	1,299,301 300,212
Total operating expenses	1,216,009			
Total operating expenses	647,299	2,147,288	2,242,376	4,183,281 853,830
INCOME FROM OPERATIONS	(1,910,336)	717,706 327,981	(1,352,708)	772,397 396,112
OTHER INCOME (EXPENSE)				
Interest expense	(267,946)	(87,737)		
Amortization of debt discounts	-	(123,288)		
Other income	-	159		
Exchange loss	-	5,600		
OTHER INCOME (EXPENSE)				
Interest expense	(20,685)	(125,057)	(439,142)	(264,217)
Amortization of debt discounts	-			
Other income	134	4,056	681	12,840
Other expenses	(990,725)	60,293	(990,725)	60,200
Total other income (expenses), net	(1,011,276)	(284,274)	(2,074,763)	(476,387 205,266)
INCOME BEFORE TAXES	60,035	(2,921,613)	190,846	
Income tax expense	-	(3,427,470)	296,010	
Income tax expense	-	65,867	(5,764)	(61,932 5,380)

NET INCOME	60,035			
NET (LOSS) INCOME	(2,921,613)	499,300	(3,433,234)	234,077 185,466
Other comprehensive income :				
Foreign currency translation adjustment	69,702	373,736		
Total comprehensive income	129,737	559,202		
Other comprehensive income:				
Foreign currency translation adjustment	(717,044)	(2,422,834)	(332,853)	(436,812)
Total comprehensive (loss) income	(3,638,657)	(1,923,534)	(3,766,087)	(202,735)
Basic and diluted earnings per share*	\$ (0.15)	\$ 0.02 share	0.0028	\$ (0.17) 0.0100
Weighted average number of shares of common stock outstanding – basic*	20,000,000 basic	20,000,000	20,000,000 21,380,000	20,000,000
Weighted average number of shares of common stock outstanding – diluted*	20,000,000 diluted	20,000,000	20,000,000 21,380,000	20,000,000

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

\*Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 17)

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**NORTHANN CORP.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)  
(In U.S. dollars)

	Preferred Stock – Series A		Common Stock		Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Number of shares	Amount					
Balance, December 31, 2022	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ 1,818,630	\$ (769,891)	\$ 1,97
Net income	-	-	-	-	-	-	185,466		18
Foreign currency translation adjustment								373,736	\$ 37
Balance, March 31, 2023	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ -25,000	\$ 925,000	\$ 2,004,096	\$ (396,155)	\$ 2,53
	Preferred Stock –Series A		Common Stock		Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Number of shares	Amount					
Balance, December 31, 2023	5,000,000	\$ 5,000	21,380,000	\$ 21,380	\$ (25,000)	\$ 6,671,016	\$ (5,313,943)	\$ (775,841)	\$ 58
Net income	-	-	-	-	-	-	60,035	-	6
Foreign currency translation adjustment	-	-	-	-	-	-	-	69,702	6
Balance, March 31, 2024	5,000,000	\$ 5,000	21,380,000	\$ 21,380	\$ (25,000)	\$ 6,671,016	\$ (5,253,908)	\$ (706,139)	\$ 71

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

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NORTHANN CORP.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY CASH FLOWS

(Unaudited)

(In U.S. dollars)

	Preferred Stock – Series A		Common Stock		Subscription receivable	Additional paid in capital	Accumulated deficits	Accumulated other comprehensive loss	Total
	Number of shares*	Amount	Number of shares*	Amount					
Balance, December 31, 2022	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ 1,818,630	\$ (769,891)	\$ 1,973
Net loss	-	-	-	-	-	-	(3,433,234)		(3,433)
Foreign currency translation adjustment								(332,853)	\$ (332)
Balance, September 30, 2023	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ (1,614,604)	\$ (1,102,744)	\$ (1,792)
	Preferred Stock – Series A		Common Stock		Subscription receivable	Additional paid in capital	Accumulated deficits	Accumulated other comprehensive loss	Total
	Number of shares*	Amount	Number of shares*	Amount					
Balance, June 30, 2023	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ 1,307,009	\$ (385,700)	\$ 1,846
Net loss	-	-	-	-	-	-	(2,921,613)		(2,921)
Foreign currency translation adjustment								(717,044)	\$ (717)
Balance, September 30, 2023	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ (1,614,604)	\$ (1,102,744)	\$ (1,792)
	Preferred Stock – Series A		Common Stock		Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number of shares*	Amount	Number of shares*	Amount					
Balance, December 31, 2021	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ -	\$ 889,571	\$ (1,292,568)	\$ (402)
Net income	-	-	-	-	-	-	234,077	-	\$ 234
Foreign currency translation adjustment	-	-	-	-	-	-	-	1,366,900	\$ 1,366
Warrants						347,171			\$ 347
Beneficial conversion feature						577,829			577
Balance, September 30, 2022	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ 1,123,648	\$ 74,332	\$ 2,122
	Preferred Stock – Series A		Common Stock		Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number of shares*	Amount	Number of shares*	Amount					
Balance, June 30, 2022	5,000,000	\$ 5,000	20,000,000	\$ 20,000	\$ (25,000)	\$ 925,000	\$ 624,348	\$ 693,453	\$ 2,242
Net income	-	-	-	-	-	-	499,300	-	\$ 499
Foreign currency translation adjustment	-	-	-	-	-	-	-	(619,122)	\$ (619)
Warrants									

Beneficial conversion feature

Balance, September 30, 2022	<u>5,000,000</u>	<u>\$ 5,000</u>	<u>20,000,000</u>	<u>\$ 20,000</u>	<u>\$ (25,000)</u>	<u>\$ 925,000</u>	<u>\$ 1,123,648</u>	<u>\$ 74,332</u>	<u>\$ 2,122</u>
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\*Retrospectively restated for the effect of 2-for-1 reverse stock split . (Note 17)  
The accompanying notes areanintegral part of these unaudited consolidated financial statements.

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**NORTHANN CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In U.S. dollars)

	NineMonths Ended September30,		Three Months Ended March 31,	
	2023 (Unaudited)	2022 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
<b>Cash flows from operating activities</b>				
Net(loss)income	\$ (3,433,234)	\$ 234,077		
Net income			\$ 60,035	\$ 18,000
<b>Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:</b>				
Allowance for doubtful accounts			13,891	
Depreciation and amortization	419,690	116,056	134,823	23,000
Allowance for doubtful accounts	645,576	1,123,902		
Amortization of debt discounts			-	12,000
<b>Changes in assets and liabilities</b>				
Accounts receivable	(24,440)	(1,551,850)	79,496	47,000
Other receivables	5,219	(26,946)	80,056	7,000
Prepayments	(418,851)	8,069	(5,865)	(6,000)
Inventory	(1,209,520)	(2,417,941)	(198,323)	(1,230,000)
Prepaid expenses	77	68,970	-	
Right of use assets	(76,752)	19,036	7,707	
Deferred tax asset			-	
Accounts payable	(760,119)	(1,642,716)	(206,537)	(77,000)
Accruals and other payables	1,904,642	294,130	(25,608)	14,000
Unearned revenue	1,178,518	(1,233,385)	489,485	
Payroll payable	83,225	(18,018)	(29,909)	(1,000)
Taxes payable	(44,347)	86,923	(97,711)	(6,000)
Accrued interest	205,886	26,274	4,066	
Operating leases	76,752	(19,036)	(7,707)	(1,000)
Other assets	115	(288,162)	-	
Net cash used in operating activities	(1,447,563)	(5,220,616)		
Net cash provided or(used in) operating activities			297,897	(89,000)
<b>Cash flows from investing activities</b>				
(Payments for) proceeds from disposal equipment	(7,642)	729,906		
Payments for or transfer from construction	-	(447,273)		
(Payments for) proceeds from disposal			-	(13,000)
Payments for equipment			-	(1,000)
(Payments for) or transfer from construction			(270,242)	(1,000)
Net cash used in investing activities	(7,642)	282,633	(270,242)	(15,000)
<b>Cash flows from financing activities</b>				
(Repayment of) proceeds from bank borrowings	(310,616)	713,816		
Amount received from secured borrowing arrangement	624,622	-		
Amounts received from or (paid to) related party	977,782	1,130,097		
Net proceeds from issuance of convertible notes	-	925,000		
Net cash provided by financing activities	1,291,788	1,843,913		
Payment of Bank Loan			(1,197,287)	(2,000)
Payment of secured borrowing arrangement			(528,495)	
Amounts received from or related party			1,084,000	55,000
Net cash(used in)provided by financing activities			(641,782)	52,000
<b>Effect of exchange rates on cash</b>	2,844	1,455,979	102,847	37,000
<b>Net change in cash and cash equivalents</b>	(160,573)	(713,091)	(511,280)	(15,000)
<b>Cash at beginning of year</b>	251,100	748,814	1,105,214	25,000
<b>Cash at end of year</b>	\$ 90,527	\$ 35,723	\$ 593,934	\$ 9,000
<b>Supplemental of cash flow information</b>				
Cash paid for interest	\$ 233,265	\$ 264,217	\$ 339,821	\$ 7,000
Cash paid for income taxes	\$ 5,764	\$ 61,932	\$ -	\$ -

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





**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (UNAUDITED) AND**  
**FOR THE YEAR YEARS ENDED DECEMBER 31 2022 2023**  
**(In U.S. dollars, except for share and per share data, unless otherwise noted) dollars)**

**1. ORGANIZATION AND BUSINESS**

The Company commenced operations in August 2013 with the establishment of Northann Building Solutions LLC. ("NBS") in Delaware. In December 2013, Northann (Changzhou) Construction Products Ltd ("NCP") was established in China. All of its products were manufactured through NCP.

In March 2014, Benchwick Benchwick Construction Products Ltd ("Benchwick") was established in Hong Kong. All wholesales to distributors are conducted through Benchwick.

In April 2014, Changzhou Macro Merit International Trading Co., Ltd. ("MARCO") was established in China. All the import/export of our products are conducted through MARCO.

In February 2016, Northann Distribution Center Inc. ("NDC") was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

In September 2017, Changzhou Ringold International Trading Co., Ltd. ("Ringold") was established in China. All of the raw material are procured from third parties through Ringold.

In September 2018, Crazy Industry (Changzhou) Industry Technology Co., Ltd. ("Crazy Industry") was established in China. Crazy Industry is the research and development hub.

In June 2020, Dotfloor Inc. ("Dotfloor") was established in California. Dotfloor operates dotfloor.com, the online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann Corp. ("Northann"), the current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing shareholders of NBS, based on their then respective equity interests held in NBS. NBS then became our wholly owned subsidiary. In accordance to ASC 805-50-30-5 and ASC 805-40-45-1 through 45-5, the series of restructuring transactions have been accounted for as transactions between entities under common control; accordingly, the Company's historical financial structure has been retroactively restated to the first period presented.

On October 23, 2023, the Company consummated the initial public offering (the "IPO") of 1,200,000 shares of common stock, par value \$0.001 per share at an offering price of \$5.00 per share. On October 25, 2023, the underwriters of the IPO fully exercised the over-allotment option granted by the Company and purchased additional 180,000 shares of Common Stock at \$5.00 per share. The closing of the Over-Allotment Option took place on October 26, 2023.

*Going Concern*

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of September 30, 2023, the Company had a working capital deficit of \$5,206,752 and net cash used in operating activities of \$1,062,971 for the nine months ended September 30, 2023. The Company may not have adequate liquidity to remain solvent and settle its obligations when payment become due; these factors gave rise to substantial doubt that the Company would continue as a going concern. Management is closely monitoring its financial position, especially its working capital and cash position, as well as its gross profit margin where its positive results of operations will allow the Company to continue as going concern. The company's foremost plan is to raise additional capital via an initial public offering of common stock to boost revenue and concurrent listing on national stock exchange to improve profitability. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation and Principles of Consolidation*

The consolidated financial statements as of September 30, 2023 and the accompanying unaudited interim consolidated financial statements as of September 30, 2023 of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and include the assets, liabilities, revenues, expenses and cash flows of all subsidiaries. All significant inter-company transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

The unaudited interim consolidated financial statements do not include all the information and footnotes required by the U.S. GAAP for complete financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with the U.S. GAAP have been condensed or omitted consistent with Article 1 Regulation S-X. In the opinion of the Company's management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, in normal recurring nature, as necessary for the fair statement of the Company's financial position as of September 30, 2023, and results of operations and cash flows for the nine-month periods ended September 30, 2023. The unaudited interim condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by the U.S. GAAP. Interim results of operations are not necessarily indicative of the results expected for the full fiscal year or for any future period. These financial statements should be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020, and related notes included in the Company's audited consolidated financial statements.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

### *Use of Estimates*

The preparation of these consolidated financial statements requires management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Identified below are the accounting policies that reflect the Company's most significant estimates and judgments, and those that the Company believes are the most critical to fully understanding and evaluating its consolidated financial statements.

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### *Basis of Consolidation*

The consolidated financial statements include the financial statements of the Company.

### *Revenue Recognition*

The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company recognizes revenues following the five-step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation.

Revenue for sales of products which are primarily comprised of hardwood floors and three-dimensional printed flooring are recognized at the time of delivery of the products set forth in contracts with customers. At the time of delivery, physical and legal control of the asset is passed from the Company to its customer, at which time the Company believes it has satisfied the single performance obligation to complete a sales transaction in order to recognize revenue. The Company's contracts do not allow for returns, refunds, or warranties; however, it is customary in the industry for manufacturers to ship a small portion of extra product to allow for product quality issues. Also, as a matter of good business practice, under very specific situations, the Company has historically agreed to provide minor discounts to customers who made complaints on products purchased. The Company has recorded these costs as pre-expenses when incurred as the Company is not able to reliably estimate such future expenses.

With respect to patent licensing, the Company grants the use of certain intellectual property to its customer for a fixed fee over a specified length of time. The management believes that patent licensing should be interpreted as a single performance obligation and revenues from patent licensing should be recognized over time.

Revenues are recognized when control of the promised goods or services is transferred to our customers, which may occur at a point in time or over time depending on the terms and conditions of the agreement, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

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#### Practical expedients and exemption

The Company has not occurred any costs to obtain contracts and does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of year or less.

The Company typically enters into agreements with its customers where it sets forth the product to be sold, the price, payment terms, and any antecedent terms such as shipping delivery specifications; these terms and conditions are most typically specified in purchase order issued by its customers to the Company. The Company typically recognizes revenue at the point in time, which is when physical possession and legal title are transferred to the customer, this may be a shipping port or a specified destination; at this point the Company expects **reasonably expect** to be paid for the product, or in the event where it was paid advance, the Company's performance obligations have been satisfied and those funds considered earned by the Company. If the Company sells products on account to customers, they are typically paid within 90 days. Any funds received in advance for the products yet to be transferred to its customer are contract liabilities that are recorded as unearned revenue on the Company's consolidated balance sheets. \$10,084,484 and \$1,470,291 were recognized as revenue from unearned revenue during the nine **three** months ended September 30, 2023, 2024 and 2022, respectively. **2023 Taxation.**

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained in a tax examination, including the resolution of any related appeals or litigations based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than the amount of benefit that is more likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted by the U.S. government which included a wide range of tax reform affecting businesses including corporate tax rates, international tax provisions, tax credits and deduction with majority of the tax provision effective after December 31, 2017. Certain activities conducted in foreign jurisdictions may result in the imposition of U.S. corporate income taxes on the Company when its subsidiaries, controlled foreign corporations ("CFCs"), generate income that is subject to Subpart F or GILTI under the U.S. Internal Revenue Code beginning after December 31, 2017.

The Coronavirus Aid, Relief and Economy Security (CARES) Act ("the CARES Act" Act, H.R. 748") was signed into law on March 27, 2020. 27 March 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carry backs for 2018-2020 tax years. Moreover, the CARES Act also temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019-2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a material impact on its financial statements as of September 30, March 31, 2024 and December 31, 2023 and as of December 31, 2022 due to the recent enactment.

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The Company accounts for an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the authorities. The Company considers and estimates interest and penalties related to the gross unrecognized tax benefits and includes as part of its income tax provision based on applicable income tax regulations.

The Company did not accrue any liability, interest or penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations for nine **three months** months ended September **March**30, 2023 and for the year ended December 31, 2022**31, 2024**. The Company had no uncertain tax position for the nine **three months** months ended September **March**30, 2023 **31, 2024**and for the years ended December 31, 2022**March**31, 2023.

Foreign Currency and Foreign Currency Translation

The functional currency of the Company is the Chinese Yuan ("RMB"), as their functional currencies. An entity's functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which the entity primarily generates and expends cash. Management's judgment is essential to determine functional currency by assessing various indicators, such as cash flows, sales price and market, expenses, financing and inter-company transactions and arrangements.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Gains and losses resulting from foreign currency re-measurement are included in the statements of comprehensive loss.

The consolidated financial statements are presented in U.S. dollars. Assets and liabilities are translated into U.S. dollars at the current exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the average of the exchange rates in effect during the reporting period. Stockholders' equity accounts are translated using the historical exchange rates at the date the entry to stockholders' equity was recorded, except for the change in retained earnings during the period, which is translated using the historical exchange rates used to translate each period's income statement. Differences resulting from translating functional currencies to the reporting currency are recorded in accumulated other comprehensive income in the consolidated balance sheets.

Translation of amounts from RMB and HKD into U.S. dollars has been made at the following exchange rates:

Balance sheet items, except for equity accounts				
March 31, 2024				
September 30, 2023	RMB7.1798	RMB7.0950 to \$1	HKD	HKD7.82457.82591
September 30, 2022 March 31, 2023	RMB7.0998	RMB6.8717 to \$1		HKD7.8499HKD7.84971
Income statement and cash flows items				
For the nine three months ended September 30, 2023 March 31, 2024	RMB	RMB7.01487.1028 to \$1	HKD	HKD7.83347.81991
For the nine three months ended September 30, 2022 March 31, 2023		RMB6.6068RMB6.8476 to \$1	HKD7.8389 to \$1	HKD7.8389
to \$1				

Cash

Cash consist of cash on hand and at banks and highly liquid investments, which are unrestricted from withdrawal or use, and which have original maturities of three months or less purchased.

Accounts Receivable, NetNet

Since January 1, 2023,Accounts receivable is stated at the historical carrying amount net of allowance for doubtful accounts. The Company adopted Financial Instruments — Losses. The estimate for the allowance of credit losses is based on a historical loss ratio, in conjunction with a qualitative assessment of current conditions and reasonable supportable forecasts to determine ifdetermines the allowance for credit losses should be further adjusted. doubtful accounts on an individual basis taking into consideration various including but not limited to historical collection experience and creditworthiness of the debtors as well as the age of the individual receivables balance. Additionally, the Company would make specific bad debt provisions based on any specific knowledge the Company has acquired that might indicate that an account is uncollectible facts and circumstances of each account may require the Company contemplates available information such to use judgment in assessing its collectability. There was no allowance for doubtful accounts recorded as change in Chinese economic conditions, industry trend ofMarch 31, 2024 and the Company's operation plans as on.December 31, 2023.

Long-Lived Assets

Long-lived assets consist primarily of equipment and intangible assets.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is computed using the straight-line method over the estimated useful lives assets.

	Estimated useful l
	(years)
Office and computer equipment	3-5
Manufacturing equipment	5 10-20

Expenditure for maintenance and repairs is expensed as incurred.

The gain or loss on the disposal of equipment is the difference between the net sales proceeds and the lower of the carrying value or fair value less cost to sell the relevant assets recognized in general and administrative expenses in the consolidated statements of comprehensive loss.

Land Use Rights, NetNet

Land use rights are a form of intangible assets in the PRC. They are recorded at cost less accumulated amortization with no residual value. Amortization of land use rights are computed using the straight-line method over their estimated useful lives.

The estimated useful lives of the Company's land use rights are as listed below:

	Estimated useful lives
	(years)
Land use right	

Impairment of Long-lived Assets

In accordance with ASC 360-10-35, the Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Based on the existence of one or more indicators of impairment, the Company measures any impairment of long-lived assets using the present value discounted cash flow method at the asset group level. The estimation of future cash flows requires significant management judgment based on the Company's historical results and anticipated results and is subject to many factors. The discount rate that is commensurate with the risk inherent in the Company's business model is determined by its management. An impairment loss would be recorded if the Company determined that the carrying value of long-lived assets may not be recoverable. The impairment to be recognized is measured as the amount by which the carrying values of the assets exceed the fair value of the assets. No impairment has been recorded by the Company as of September 30, 2023, March 31, 2023, or December 31, 2022. December 31, 2023.

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Net earnings per share of common stock

The Company has adopted ASC Topic 260, "Earnings per Share," ("EPS") which requires presentation of basic EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation. In the accompanying consolidation financial statements, basic earnings (loss) per share is computed by dividing net (loss) income **loss** by the weighted average number of shares of common stock outstanding during the period.

	ThreeMonths Ended	
	September 30,	
	2023	2022
	(Unaudited)	
Net(loss) income	\$ (2,921,613)	\$ 49
Weighted average number of shares of common stock outstanding - basic*	20,000,000	20,000,000
Add: potentially dilutive effect of shares issuable upon conversion of notes	-	-
Add: potentially dilutive effect of shares issuable upon exercise of warrants	-	-
Weighted average number of shares of common stock outstanding - diluted*	20,000,000	20,000,000
Basic and diluted(loss) income per share*	\$ (0.15)	\$ 0.00
	Nine Months Ended	

	September 30,	
	2023	2022
	(Unaudited)	
Net(loss) income	\$ (3,433,234)	\$ 234,077
Weighted average number of shares of common stock outstanding - basic*	20,000,000	20,000,000
Add: potentially dilutive effect of shares issuable upon conversion of notes	-	-
Add: potentially dilutive effect of shares issuable upon exercise of warrants	-	-
Weighted average number of shares of common stock outstanding - diluted*	20,000,000	20,000,000
Basic and diluted(loss) income per share*	\$ (0.17)	\$ 0.01

	March 31,	
	2024	2023
	(Unaudited)	
Net income	\$ 60,035	\$ 185,466
Weighted average number of shares of common stock outstanding - basic	21,380,000*	20,000,000*
Add: potentially dilutive effect of shares issuable upon conversion of notes		
Add: potentially dilutive effect of shares issuable upon exercise of warrants		-
Weighted average number of shares of common stock outstanding - diluted	21,380,000*	20,000,000*
Basic and diluted (loss) earnings per share	\$ 0.0028*	\$ 0.0100*

\*Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 17)

On May 16, 2022, Northann entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible debentures in an aggregate principal amount of \$1,000,000 (the "Convertible Debentures") that are convertible into shares of common stock of Northann (the "Conversion Shares") with a 100% warrant coverage. The Company also purchased common stock of Northann (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares"). The number of weighted average potentially dilutive shares resulting from this transaction was nil. Please see Note 11 below. [18](#)

### Segments

The Company evaluates a reporting unit by first identifying its operating segments, and then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meets the definition of a business, the Company evaluates those components to determine if they may be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has only one major reportable segment in the periods presented. The Company's chief operating decision maker is the Company's Chief Executive Officer.

### Shipping and Handling Costs

Outbound shipping and handling costs are expenses as incurred and charged to the selling expense. Inbound shipping and freight are charged for raw material and components and accounted for as cost of revenues.

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## Fair Value of Financial Instruments

U.S. GAAP establishes a three-tier hierarchy to prioritize the inputs used in the valuation methodologies in measuring the fair value of financial instruments. This hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three-tier fair value hierarchy is:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – include other inputs that are directly or indirectly observable in the market place.

Level 3 – unobservable inputs which are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash, accounts and other receivables, other current assets, accounts and other payables, and other short-term liabilities approximate their fair value due to their short maturities.

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Company elected the fair value option at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the accompanying consolidated statements of operations as other comprehensive loss as other income (expense). To estimate fair value, the Company refers to the quoted rate of return provided by banks at the end of each period using the discount cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the Company had no investments in financial instruments.

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## Leases

In February 2016, the FASB issued ASU 2016-12, Leases (ASC Topic 842), which amends the leases requirements in ASC Topic 840, Leases. Under the new lease accounting standard, a lessee will be required to recognize a right-of-use asset and lease liability for most leases on the balance sheet. The new standard also modifies the classification criteria and accounting for sales-type and direct financing leases, and enhances the disclosure requirements. Leases will continue to be classified as either finance or operating leases.

The Company adopted ASC Topic 842 using the modified retrospective transition method effective January 1, 2019. There was no cumulative effect of initially applying ASC Topic 842 required an adjustment to the opening retained earnings on the adoption date nor revision of the balances in comparative periods. As a result of the adoption, the Company recognized lease liability and right-of-use asset for each of the existing lease arrangement. The adoption of the new lease standard does not have a material impact on the consolidated financial statements or the consolidated statements of cash flows.

The Company determines if an arrangement is a lease at inception. The lease payments under the lease arrangements are fixed. Non-lease components include payments for building management, utilities and property tax. It separates the non-lease components from the lease components to which they relate.

Lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of future lease payments is the Company's incremental borrowing rate, because the interest rate implicit in the leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The lease term is the period under options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company generally uses the base, non-cancelable lease term when determining the lease assets and liabilities.

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## Recent Accounting Pronouncements

### Recently Adopted Accounting Standards

On January 1, 2020, the Company adopted ASU 2016-02, Leases, using the modified retrospective method which allows for the application of the transition provisions at the beginning of the period of adoption, rather than at the beginning of the earliest comparative period presented in these audited consolidated financial statements. As permitted by the guidance, the Company elected to retain the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date and did not reassess contracts entered into prior to the adoption date for the existence of a lease. The Company also did not recognize ROU assets and lease liabilities for short-term leases, which are leases with an existence as of the adoption date with an original term of twelve months or less.

"In August 2020, the FASB issued ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The Company adopted ASU 2020-06 on January 1, 2023. The Company is currently evaluating the impact of new guidance on our consolidated financial statements."

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments- Credit Losses (Topic 326)" ("ASU 2016-13"). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, "Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)." This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU 2016-13 in the first quarter of fiscal 2023 using modified retrospective approach and the adoption of this standard did not have a material impact on the Company's consolidated financial statements nor did it result in a cumulative effect adjustment to retained earnings as of January 1, 2023.

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## Accounting Pronouncements Issued But Not Yet Adopted

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements". The amendments in this update represent changes to the Codification. ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to clarify the Codification's requirements for contracts, hedging relationships, and other transactions that reference LIBOR or correct unintended application of guidance that is not another reference rate expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are effective for all reporting entities within the scope of the affected accounting guidance. ASU 2020-10 is effective for the Company as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 ("ASU 2022-06"), which deferred the application of Topic 848 to December 31, 2024. The Company currently does not have any financial instrument that reference to LIBOR and does not anticipate the adoption will have a material impact on the Company's consolidated financial statements.

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for fiscal years annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The amendments in this update should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. This ASU will likely result in additional required disclosures when adopted. The Company does not expect to be currently evaluating the adoption provisions of this standard and expects to adopt them for the year ending December 31, 2024.

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In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2023. Early adoption is also permitted for annual financial statements that have a material impact on its not yet been issued or made available for issuance. The Company has evaluated the ASU and expects to add additional disclosures to the consolidated financial statements, statements, once adopted.

Except for the above-mentioned pronouncements, there are no new recent issued accounting standards that will have material impact on the consolidated financial position, statement of operations and cash flows.

### 3. 3.RESTRICTED CASH

Restricted cash consist of the following:

	March31, 2024	December 31, 2023
Deposit for Bank acceptance bill	\$ 3,765	\$ 3,771
Total	<u>\$ 3,765</u>	<u>\$ 3,771</u>

### 4. 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following:

	September 30, 2023	December 31, 2022	March31, 2024	December 31, 2023
Gross accounts receivable	\$ 1,453,178	\$ 1,428,738	\$ 2,535,962	\$ 2,611,111
Less: Allowance for credit losses	-	-	-	-
Less: allowance for doubtful accounts	-	-	-	-
	<u>\$ 1,453,178</u>	<u>\$ 1,428,738</u>	<u>\$ 2,535,962</u>	<u>\$ 2,611,111</u>

There was no allowance for doubtful accounts recorded as of March 31, 2024 and December 31, 2023.

### 5. 4. OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current assets consist of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Export credit	\$ 18,224	\$ -	-	-
Deposit and other assets	87,772	111,294	47,258	12,111
	<u>\$ 105,996</u>	<u>\$ 111,294</u>	<u>\$ 47,258</u>	<u>\$ 12,111</u>

### 6. 5. INVENTORY, NET

Inventories, net, consist of the following:

	September 30, 2023	December 31, 2022	March31, 2024	December 31, 2023
Raw materials and work in progress	\$ 3,840,587	\$ 3,157,736	-	-
Raw materials and components	-	-	\$ 1,642,965	\$ 1,651,111
Finished goods	1,931,299	1,404,630	1,200,846	99,111
Total	<u>\$ 5,771,886</u>	<u>\$ 4,562,366</u>	<u>\$ 2,843,811</u>	<u>\$ 2,641,111</u>
less: Impairment	-	-	-	-
Inventories, net	<u>\$ 5,771,886</u>	<u>\$ 4,562,366</u>	<u>\$ 2,843,811</u>	<u>\$ 2,641,111</u>

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6. 7. EQUIPMENT, NET

Equipment, net consist of the following:

	September 30, 2023	
Manufacturing equipment	\$ 8,672,029	\$
Office equipment	317,402	
less: Accumulated depreciation	4,133,426	
	<u>\$ 4,856,005</u>	\$
Total		

Depreciation expenses charged to the consolidated statements of operations for the years ended nine March 31, 2024 and months ended September 30, 2023 December 31, 2023 2022 were \$650,103, and \$7,882,100, respectively.

8. 7. LAND USE RIGHTS, NET

	September 30, 2023	
Land use right	\$ 1,128,371	\$
less: Accumulated amortization	104,935	
	<u>\$ 1,023,436</u>	\$

The Company has pledged its land use rights at No. 199, Newtang, Newtag, Wujin District, Changzhou, Jiangsu Province, China, 213000 to Industrial and Commercial BankofChina L

## 9. 8. BANK BORROWINGS

### Current

Short-term loans as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023 represents bank borrowings of \$5,226,747, \$4,087,385 and \$5,488,757, \$4,831 in the PRC. The short-term bank borrowings were secured by land use right. The weighted average interest rate for the short-term loans for the nine three months ended September 30, 2023 was approximately 4.65%, 4.71% and 5.87%, 5.07%, respectively.

Bank	Loan period	Interest rate	
Industrial and Commercial Bank of China	October 24, 2022 - July 17, 2024	4.35%	\$
Industrial and Commercial Bank of China	October 26, 2022 - August 17, 2024	4.35%	
Bank of Communications	January 28, 2022 - January 26, 2025	4.35%	
Bank of Communications	January 28, 2022 - January 26, 2025	4.35%	
Jiangnan Rural Commercial Bank	May 9, 2022 - April 3, 2024	4.79%	
Jiangnan Rural Commercial Bank	March 24, 2022 - March 3, 2024	4.79%	
Bank of America	April 28, 2022 - April 30, 2024	Prime rate + 0.1%	
<b>Total</b>			<b>\$</b>

Bank	Loan period	Interest rate	
Industrial and Commercial Bank of China	October 24, 2022 - July 17, 2024	4.35%	\$
Industrial and Commercial Bank of China	October 26, 2022 - July 18, 2024	4.35%	
Bank of Communications	January 28, 2022 - January 26, 2025	4.35%	
Bank of Communications	January 21, 2022 - January 17, 2025	4.35%	
Bank of Communications	January 28, 2022 - January 26, 2025	4.35%	
Changzhou Changjiang Science and Technology Petty Loan Co., LTD	January 10, 2022 - January 25, 2023	17.40%	
Jiangnan Rural Commercial Bank	May 9, 2022 - March 3, 2024	4.79%	\$
Jiangnan Rural Commercial Bank	March 24, 2022 - March 3, 2024	4.79%	
Bank of America	April 28, 2022 - April 30, 2024	Prime rate + 0.1%	
<b>Total</b>			<b>\$</b>

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The loan from Bank of America is secured by the Company's inventory.

Non-current

Bank	Loan period	Interest rate	Balance at September30, 2023	Balance at December 31, 2022	Loan period	Int
EIDL Loan	From June 26, 2020 to June 25, 2050	3.75%	127,829	133,677	From June 26, 2020 to June 25, 2050	
Total			\$ 127,829	\$ 133,677		

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10. 9. BALANCES WITH RELATED PARTY

1) Related party transactions

During the year ended December 31, 2022 and For the nine three months months ended September 30, 2023, one of March 31, 2024 and 2023, the Company's related parties part operations when needed. The borrowings were unsecured, due on demand, and interest free. The following table summarizes borrowing transactions the balances with the Company's

2) Related party balances

Accounts	Name of Related Party	Note	September 30, 2023	December 31, 2022	Name of Related Party
Amount due from related party	Lin Li, Chief Executive Officer and Chairman of the Board		\$ -	\$ -	
Amount due to related party	Lin Li, Chief Executive Officer and Chairman of the Board		\$ 1,161,842	\$ 184,060	Lin Li, Chief Executive Officer and Chair

All the above balances are due on demand, interest-free and unsecured. The Company used the funds for its operations.

11. 10. EQUITY  
Preferred Stock

We are The Company is authorized to issue 500,000,000 shares of capital stock, consisting of 400,000,000 shares of common stock, par value US\$0.001 per share, and 100,000,0 share. 20,000,000 shares were designated to be series A preferred stock (the "Series A Preferred Stock") out of the 100,000,000 shares of blank check preferred stock. Each share o of Series A Preferred Stock is entitled to ten votes on any matter on which action of the stockholders of the corporation is sought. The Series A Preferred Stock will vote together Preferred Stock are not convertible into each other. Holders of Series A Preferred Stock are not entitled to receive dividends. The Series A Preferred Stock does not have liquidation therefore ranks pari passu with the Common Stock in the event of liquidation.

Common Stock

The Company is authorized to issue of 400,000,000 shares of common stock with par value of US\$0.001 per share. As of September 30, 2023, there were 20,000,000 shares of c common stock entitles the holder to one vote. For the sake of comparability, the share structure as of September 30, 2023 the date of this report has been carried back in the Comp been issued and outstanding from the beginning of the first period presented.

On May 16, 2022, Northann the Company entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible notes in "Convertible Debentures" Notes that are convertible into shares of common stock of Northann the Company (the "Conversion Shares") with a 100% warrant coverage to purchase shares underlying the Warrants, the "Warrant Shares"). In the original agreement, the notes were set to

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be due on May 16, 2024.

As of September 30, 2023 December 31, 2023, we have the Company has issued the following securities of the registrant. We believe registrant, and believed that each of the follow under the Securities Act pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering or under Regulation S of the Securities Act.

Purchaser	Date of Issuance	Security Type
Hongyu Wang	May 16, 2022	Convertible Note
Sam Yan	May 16, 2022	Convertible Note

Terms of Conversion or Exercise: Convertible Notes

The Convertible Note holders are entitled to an option to convert all of part of the outstanding principal of the Convertible Note to the Company's ordinary shares of common stock on the issuance date of the Note or earlier if a Registration Statement covering the conversion shares has been declared effective, at conversion price of \$7.00. \$3.50. The interest rate of the

Terms of Conversion or Exercise: Warrants

On May 16, 2022, the Company granted Warrants to the same investors Warrants to purchase of the Company's shares of common stock with exercise price of \$7.00 per share. The part, at any time prior to the fifth anniversary of the date such Warrants are issued. The investors can also choose to exercise the Warrant using a cashless manner based on certain f

The Convertible Notes and Warrants are considered as one unit of accounting which contains two freestanding financial instruments. The proceeds received were allocated between the value. The beneficial conversion option within the debt instrument was booked to additional paid-in capital, and its book value will not be subsequently adjusted. The warrants were valued at fair value was \$1.21 on a per share basis, for total valuation of \$347,171 based on 285,714 shares issuable if fully exercised. The Company used the following inputs: (1) strike price = \$10.00, (3) annualized volatility = 10%, (4) annualized dividend = 1.70%, (5) (5) years to expiration = 5 years, and (6) risk free rate = 3.789%. Management determined that convertible feature ("BCF") and recognized a discount to be amortized over the life of the convertible note. The BCF was valued at \$672,761 and was recorded as a debt discount where the offsetting amount was paid in capital.

On April 27, 2023, the Company signed amendment agreements with the investors to modify the due date of the convertible notes Convertible Notes to the earlier of July 12, 2023 or the Company's Initial Public Offering. On October 19, 2023, the Company signed settlement agreements with the investors to settle the convertible notes Convertible Notes for 2024 November 24, 2023.

The balance of \$1,950,000 was reclassified to accounts and other payables and accruals. The debtors agreed to stop accruing interest on the balance.

On May 3, 2024, the Company signed final settlement agreements with the two investors of the Convertible Notes and Warrants to settle the balances of the Convertible Notes and Warrants (Note 20), besides an aggregate of \$1,200,000 paid by the Company in 2023.

Convertible Notes

- Convertible Notes – Face Value
- Discount - Cash – Placement agent commissions – cash
- Discount – Placement agent fees commissions – warrants
- Discount – Detachable warrants
- Discount – Beneficial conversion feature



*United States of America*

The Coronavirus Aid, Relief and Economy Security (CARES) Act ("the CARES Act, H.R. 748") was signed into law on 27 March 2020. **March 27, 2020**. The CARES Act temporarily enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carrybacks for the 2018-2020 tax years. Moreover, the CARES Act increased the deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a material impact on **2024 and December 31, 2023**, 2023 and December 31, 2022 due to the recent enactment.

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*Hong Kong**Two-tier Profits Tax Rates*

The two-tier profits tax rates system was introduced under the Inland Revenue (Amendment)(No.3) Ordinance 2018 (the "Ordinance") of Hong Kong became effective for the assessment year 2018/19. Under the regime, the profits tax rate for the first HKD 2 million (approximately \$257,868) of assessable profits of a corporation will be subject to the lowered tax rate, 8.25% while the remaining profits are subject to the standard rate, 16.5%. The Ordinance only allows one entity within a group of "connected entities" is eligible for the two-tier tax rate benefit. An entity is a connected entity of another entity if (1) they are under the control (more than 50% of the issued share capital) of the same entity; (2) in the case of the first entity being a natural person carrying on a sole proprietorship business, they are under the control (more than 50% of the issued share capital) of the same entity; (3) in the case of the first entity being a natural person carrying on a sole proprietorship business, they are under the control (more than 50% of the issued share capital) of the same entity. Since Benchwick is wholly owned and under the control of Northann, it is a connected entity. Under the Ordinance, it is an entity's election to be subject to the two-tier profits tax rates on its profits tax return. The election is irrevocable. The Company elected Benchwick to be subject to the two-tier profits tax rates.

The provision for current income and deferred taxes of Benchwick has been calculated by applying the new tax rate of 8.25%.

*PRC*

In accordance with the relevant tax laws and regulations of the PRC, a company registered in the PRC is subject to income taxes within the PRC at the applicable tax rate on taxable income. Prior to 2008, companies registered in the PRC were subject to income tax at a rate of 25% for the nine **three months** months ended September **March 30, 2023**, **31, 2024** and for the year ended December 31, **2022**. Operating loss can generally carry forward for no longer than five years starting from the year subsequent to the year in which the loss was incurred. Carry back of losses is not permitted and expires in **2025, 2026**.

The income tax expense was \$5,769 and \$127,799 **\$14,361** and **\$126,984** for the nine **three months** months ended September **March 30, 2023**, **31, 2024** and **2022**, **2023**, respectively, respectively, outside of the U.S. The income before provision for income taxes for the nine **the three months** months ended September **March 30, 2023**, **31, 2024** and **2022**, **2023** was as follows:



The income tax provision consists of the following components:

Current:	
Federal	\$
State	
Foreign	
Total current	\$
Deferred:	
Federal	\$
State	
Foreign	
Total deferred	\$
Total income tax expense	\$

	For the three months ended
Current:	
Federal	\$
State	
Foreign	
Total current	\$
Deferred:	
Federal	\$
State	
Foreign	
Total deferred	\$
Total income tax expense	\$

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Current:		
Federal	\$ -	\$ 27,819
State	5,380	20,227
Foreign	384	13,886
Total current	\$ 5,764	\$ 61,932
Deferred:		
Federal	\$ -	\$ -
State	-	-
Foreign	-	-
Total deferred	\$ -	\$ -
Total income tax expense	\$ 5,764	\$ 61,932
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A reconciliation between the Company's actual provision for income taxes and the provision at the United States statutory rate is as follow:

	For thethree months ended September 30, 2023	For thethree months ended September 30, 2022	For the thre M
Income before income tax expense	\$ (2,921,613)	\$ 433,433	\$
Computed tax benefit with statutory tax rate	29.84%	29.84%	
Income tax expense computed at statutory income tax rate	(871,810)	129,336	
Impact of different tax rates in other jurisdictions	812,261	(151,938)	
Tax effect of non-deductible expenses	59,549	(43,265)	
Total income tax expense	\$ -	\$ (65,867)	\$
		For thenine months ended September 30, 2023	
Income before income tax expense		\$ (3,427,470)	\$
Computed tax benefit with statutory tax rate		29.84%	
Income tax expense computed at statutory income tax rate		(1,022,757)	
Impact of different tax rates in other jurisdictions		710,647	
Tax effect of non-deductible expenses		317,874	
Total income tax expense		\$ 5,764	\$

The effective tax rates **rate** were nil **2.8%** and 15.2%**1.4%** for the threemonths ended September 30, 2023 and 2022, respectively **March 31, 2024 and 2023**, and(0.2)% and 20.9% for 2022, respectively.

Uncertain tax positions

The Company did not have any uncertain tax positions during the ninemonths ended September30, 2023 or duringtheyears **three months** ended December 31, 2022**March 31, 2024and 2023**.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by the of limitations for the tax returns varies by jurisdictions.

The amounts of uncertain tax liabilities listed above are based on the recognition and measurement criteria of ASC Topic 740, and the balance is presented as current liability in the 2023. The Company anticipated that the settlements with the taxing authority are remitted within one year.

Our policy is to include interest and penalty charges related to uncertain tax liabilities as necessary in the provision for income taxes. The Company has a liability for accrued interest and penalties, respectively.

The statute of limitations for the Internal Revenue Services to assess the income tax returns on a taxpayer expires three years from the due date of the profits tax return or the date of

In accordance with the Hong Kong profits tax regulations, a tax assessment by the IRD may be initiated within six years after the relevant year of assessment, but extendable to 10 years in case of tax evasion.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to assess underpaid tax plus penalties for tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities.

14. 13. CHINA CONTRIBUTION PLAN

The Company participates in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to the Company to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly compensation of qualified employees. The relevant local labor bureau has obligations; the Company has no further commitments beyond their monthly contributions. For the nine months ended September 30, 2023, 2024 and for the nine months ended September 30, 2023, 2024 and for the nine months ended September 30, 2023, 2024, respectively, to these funds.

15. 14. OPERATING LEASE

The Company has operating leases for its office facilities. The lease is located at 9820 Dino Drive, Suite 110, Elk Grove, California, 95624, which consist of approximately 3,653 square feet of space with terms of approximately 37 months for a lease term commencing on August 1, 2020 and ending on August 31, 2023. The lease deposit is \$9,030, with a rent-free period from August 1, 2020 to August 31, 2020. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company separates lease and non-lease components from the lease components to which they relate, and instead accounts for each separate lease and non-lease component associated with that underlying asset classes.

The following table provides a summary of leases by balance sheet location as of September 30, 2024 and 30, 2023 and December 31, 2022:

	September 30, 2023
Assets/liabilities	
Assets	
Operating lease right-of-use assets	\$ 94,992
Liabilities	
Operating lease liability - current	\$ (31,024)
Operating lease liability - non-current	(63,968)
Total lease liabilities	<u>\$ (94,992)</u>

Cash flow information related to operating leases consists of the following:

	For the three months ended March 31, 2024
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 8,767
Right-of-use assets obtained in exchange for new lease obligations:	-

The operating lease expenses for the nine **three months** months ended September **March**30, 2023 **31, 2024** and for the year ended December 31, 2022 **2023** were as follows:

Lease Cost	Classification	September 30, 2023	December 31, 2022	Classi
Operating lease expense	General and administrative expenses	\$ 21,506	\$ 27,340	General and adm

Maturities of operating lease liabilities as of September **March**30, 2023 **31, 2024** were as follows:

Maturity of Lease Liabilities	Operating Leases
12 months ending December 31, 2023	8,767
2024	\$ 35,069
2025	35,069
2026	23,379
Total lease payments	\$ 102,284
Less: interest	(7,292)
Present value of lease payments	\$ 94,992

Maturity of Lease Liabilities	Operating Leases
Within one year	26,302
Within a period of more than one year but not more than two years	\$ 35,069
Within a period of more than two year but not more than three years	23,379
Within a period of more than three year but not more than four years	-
Within a period of more than four years but not more than five years	-
More than five years	-
Total lease commitment	\$ 84,750
Less: interest	(5,077)
Present value of lease payments	\$ 79,673

Lease liabilities include lease and non-lease components **component** such as management fee.

Future minimum lease payments, 2023	8,767
2024	\$ 35,069
2025	35,069
2026	23,379
Total lease payments	\$ 102,284

Lease Term and Discount Rate	March 31, 2024
Weighted-average remaining lease term (years)	
Operating leases	2.67
Weighted-average discount rate (%)	
Operating leases	5%

Lease Term and Discount Rate	September 30, 2023
Weighted-average remaining lease term (years)	
Operating leases	2.92
Weighted-average discount rate (%)	
Operating leases	5%

## 16. 15. CONCENTRATIONS AND CREDIT RISK

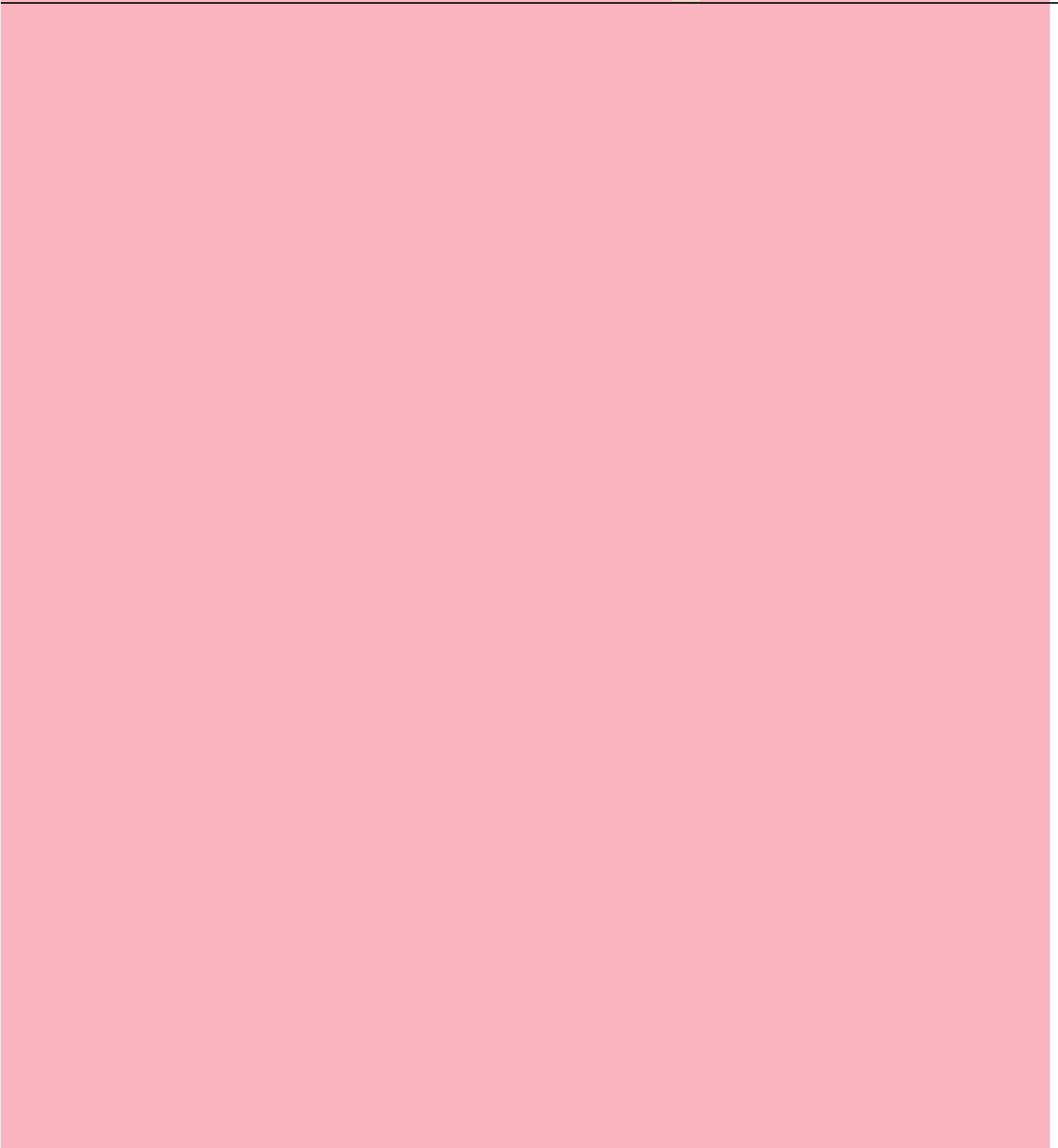
### (a) Concentrations

During the three **months** months ended September **March**30, 2023, one customer **31, 2024, two customers** accounted for 59.16% **nearly**81% of the Company's revenues. During 2022, **31, 2022** two customers accounted for 46.26% of the Company's revenues. No other customer accounts for more than 10% of the Company's revenue for the three months ended S

During the nine months ended September 30, 2023, one customer accounted for 84.30% of the Company's revenues. During the nine months ended September 30, 2022, 3, two Company's revenues. No other customer accounts for more than 10% of the Company's revenue for in the nine three months months ended September 30 March, 2023 31, 2024 and 1

As of September 30, 2023, two March 31, 2024, five customers accounted for 79.02% 84% of the Company's accounts receivable. As of December 31, 202 September 30 3, 202 Company's accounts receivable. No other customer accounts for more than 10% of the Company's accounts receivable for the nine three months ended March 31, 202 September 3 2023.

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During the three months ended September 30, 2023, five suppliers accounted for a total of 73.00% of the Company's cost of revenues. During the three months ended March 31, 2024, five suppliers accounted for a total of 38.00% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues. During the nine months ended September 30, 2023, five suppliers accounted for a total of 75.03% of the Company's cost of revenues. During the nine months ended September 30, 2024, five suppliers accounted for a total of 75.03% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues.

As of September 30, 2023, no supplier accounted for 10% or more of the Company's accounts payable. As of December 31, 2023, one supplier accounted for 10% or more of the Company's accounts payable. No other supplier accounts for over 10% of the Company's accounts payable.

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(b) Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. As of September 30, 2023, March 31, 2024 and December 31, 2023, the Company's cash were held by major financial institutions located in the PRC, Hong Kong, and the United States, which management believes are of high credit quality. Deposits are insured by the Federal Deposit Insurance Corporation.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses in accordance with management's expectations.

(c) 17. Tax risk

There is the potential risk that the Company may be subject to significant taxes and related penalties owed to the PRC government. This risk arises from the Company's collection of taxes on its behalf, by itself, or via its subsidiaries located in the U.S. or Hong Kong, and whereby the remittance made to the Company's PRC subsidiaries may not be in the exact amounts reported. The application for export credit refunds which have already been refunded to the Company by the PRC government on the assumption that the Company will fully remit the amounts. The Company cannot reliably estimate the amount due or determine if it is probable that the PRC government will make efforts to recover the tax credit refunds already paid to the Company and if there is a change of government were to take actions to recover such export tax credit refunds, the Company may be materially adversely affected or may be forced to cease operations.

16. CAPITAL COMMITMENTS

On July 26, 2021, the Company has contracted Changzhou Wanyuan Construction Engineering Co. to build a second phase of its factory. The amount required in the contract is \$10 million. Construction is expected to take approximately one and half year, and the Company's business status. The second phase of the factory will be approximately 250,000 square feet.

17. 18. STOCK SPLIT

Effective on July 6, 2023, the Company implemented a 2-for-1 reverse stock split of the issued and outstanding shares. Under the reverse split, every two shares of outstanding common stock were converted into one share of ordinary share, with a par value of US\$0.001 each. Except as otherwise indicated, all information in the consolidated financial statements concerning the 2-for-1 reverse stock split. The total number of outstanding common shares immediately before the reverse split was 40,000,000 and immediately after the reverse split was 20,000,000. The number of preferred shares immediately before the reverse split was 10,000,000 and immediately after the reverse split was 5,000,000.

18. 19. SECURED BORROWING ARRANGEMENT

In July 2023, the Company signed a secured borrowing agreement with a financial institution in the United States, in which the Company borrowed \$1,000,000. The loan is secured by the Company's assets and has a term of 36 months. The interest rate is 5.00% per annum.

It is scheduled under the agreement that the Company pays \$49,700 per week for thirty weeks to the financial institution to repay the loan.

20. SUBSEQUENT EVENT

The Company has analyzed its operations subsequent to December 31, 2023 and up through May 20, 2024 which is the date these consolidated financial statements were issued. There are no subsequent events to disclose in these consolidated financial statements.

On May 3, 2024, the Company signed final settlement agreements with the two investors of the Convertible Notes and Warrants to settle the balances of the Convertible Notes and Warrants.

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**21. 19. UNRESTRICTED NET ASSETS**

The following presents condensed financial information of Northann Corp:

Condensed Financial Information on Financial Position

Cash	
All other current assets	
Amounts due from subsidiaries	
Amounts due from related party	
Total current assets	
All other non-current assets	
Interests in a subsidiary	
Total Assets	
Liabilities and Stockholders' Equity	
Convertible notes, net, current	
All other current liabilities	
Amounts due to subsidiaries	
Amounts due to related party	
Total current liabilities	
Non-current liabilities	
Total Liabilities	
Stockholders' Equity	
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 5,000,000 shares issued and outstanding as of September 30, 2023 and December 31, 2022*	
Common stock, \$0.001 par value, 400,000,000 shares authorized, 20,000,000 shares issued and outstanding as of September 30, 2023 and December 31, 2022*	
Subscription receivable	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income loss	
Total Stockholders' Equity	
Total Liabilities and Stockholders' Equity	

	As of
	March 31, 2023
	2023
	(Unaudited)
Cash	
Amounts due from subsidiaries	
Total current assets	
All other non-current assets	
Interests in a subsidiary	
Total Assets	
Liabilities and Stockholders' Deficit	
All other current liabilities	
Amounts due to subsidiaries	
Total current liabilities	
Non-current liabilities	
Total Liabilities	
Stockholders' Equity (Deficit)	
Preferred stock – Series A, \$0.001 par value, 100,000,000 shares authorized, 10,000,000 shares issued and outstanding as of March 31, 2023 and December 31, 2022	
Common stock, \$0.001 par value, 400,000,000 shares authorized, 40,000,000 shares issued and outstanding as of March 31, 2023 and December 31, 2022	
Subscription receivable	
Additional Paid-in Capital	
Retained earnings (accumulated deficit)	
Accumulated other comprehensive income (loss)	
Total Stockholders' Equity (Deficit)	
Total Liabilities and Stockholders' Deficit	

\*Retrospectively restated for the effect of 2-for-1 reverse stock split . split. (Note 17)18)

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## Condensed Financial Information on Results of Operations

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
	(Unaudited)	
Revenue	-	-
Cost or revenues	-	-
Operating expenses	372,865	123,288
Income taxes	-	-
Income (loss) – Parent only	(372,865)	(123,288)
Income (loss) – Subsidiaries with unrestricted net assets	577,523	429,006
(Loss) income – Subsidiaries with restricted net assets	(144,623)	(120,252)
Net income – Consolidated	60,035	185,466

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
	(Unaudited)	
Revenue	-	-
Cost or revenues	-	-
Operating expenses	819,446	-
Income taxes	-	-
Loss – Parent only	(819,446)	-
Income (loss) – Subsidiaries with unrestricted net assets	(2,217,332)	1,382,661
(Loss) income – Subsidiaries with restricted net assets	(396,456)	(1,148,584)
Net(loss) income– Consolidated	(3,433,234)	234,077

## Condensed Financial Information on Cash Flows

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
	(Unaudited)	
Cash from operating activities	528,867	5,140
Cash used in investing activities	-	-
Cash from financing activities	(528,495)	(5,000)
Effect of exchange rates on cash	-	-
Net cash flows	372	140
Beginning cash balance	370	224
Ending cash balance	742	364

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
	(Unaudited)	
Cash used in operating activities	333	(5,220,616)
Cash (used in) provided by investing activities	-	282,633
Cash provided by financing activities	-	2,768,913
Effect of exchange rates on cash	-	1,455,979
Net cash flows	333	(713,091)
Beginning cash balance	224	748,814
Ending cash balance	557	35,722

(i) Basis of presentation

The condensed financial information reflects the accounts of the Company. The condensed financial information should be read in connection with the consolidated financial statements. The condensed financial information is presented as if the incorporation of the Company were in effect since January 1, 2020, and throughout the nine months **four years** ended **September 30, 2023** and **December 31, 2022**.

(ii) Restricted Net Assets

Schedule I of Rule 5-04 of Regulation S-X requires the condensed financial information of registrant shall be filed when the restricted net assets of consolidated subsidiaries exceed 10% of the registrant's consolidated net assets at the end of the most recently completed fiscal year. For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's consolidated net assets (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loan or advance to a third party (i.e., lender, regulatory agency, foreign government, etc.). The Company's only assets are its equity interests in its subsidiaries. Unrestricted net assets are held in the United States and Hong Kong. The Company does maintain substantial assets and operating subsidiaries in China; therefore, the ability for operating subsidiaries to pay dividends or transfer funds is subject to foreign exchange control policies and availability of cash balances of the Chinese operating subsidiaries.

As of **September 30, 2023**, **December 31, 2023** and December 31, 2022, **2022**, there were no material contingencies, significant provisions of long term **long-term** obligations, redeemable stocks or guarantees of the Company, except for those which have been separately disclosed in the Consolidated Financial Statements, if any.

20. SUBSEQUENT EVENTS

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On October 23, 2023, the Company consummated the initial public offering (the "IPO") of 1,200,000 shares of common stock, par value \$0.001 per share, (the "Common Stock") at an offering price of \$5.00 per share (the "Offering Price"), generating gross proceeds of \$6,000,000. On October 25, 2023, the underwriters of the IPO fully exercised the over-allotment option that we granted to them in the IPO and purchased an additional 200,000 shares of common stock at the Public Offering Price (the "Over-Allotment Option"). The closing of the Over-Allotment Option took place on October 26, 2023.

The Company also issued warrants to the Representative and its affiliates (the "Representative's Warrants") to purchase up to 27,000 shares of Common Stock at an exercise price of the Representative's Warrants, exercisable from April 23, 2024 and valid until October 19, 2028.

The securities in the IPO, including the exercise by the underwriters of the Over-Allotment Option were offered and sold pursuant to the Company's Registration Statement on Form S-1 with the Securities and Exchange Commission (the "Commission") on July 14, 2023 and declared effective by the Commission on September 29, 2023. The Common Stock commenced trading under the symbol "NCL." The closing of the Offering took place on October 23, 2023. The total gross proceeds from the Offering were \$6,000,000, before deducting underwriting discounts and other offering expenses associated with the Offering payable by the Company.

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

References in this report (the "Quarterly Report") to "we," "us," "Northann" or the "Company" refer to Northann Corp. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below may be forward-looking and is subject to risks and uncertainties.

### Special Note Regarding Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which may be identified by the words "expect," "believe," "anticipate," "intend," "estimate," "seek" and variations and similar words and expressions are used. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ from the forward-looking statements, please refer to the Risk Factors section of the Company's registration statement on Form S-1 filed with the U.S. Securities and Exchange Commission (the "SEC") on the EDGAR section of the SEC's website at <http://www.sec.gov>. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

### Overview

We commenced operations in August 2013 with the establishment of Northann Building Solutions LLC. ("NBS") in Delaware.

In December 2013, Northann (Changzhou) Construction Products Ltd ("NCP") was established in China. Most of our products are manufactured through NCP.

In March 2014, Benchwick Construction Products Ltd ("Benchwick") was established in Hong Kong. All the wholesale and distribution operations are conducted through Benchwick.

In April 2014, Changzhou Macro Merit International Trading Co., Ltd. ("Marco") was established in China. All the import/export of our products are conducted through Marco.

In February 2016, Northann Distribution Center Inc. ("NDC") was established in California. NDC is a distribution center in the United States and maintains a small inventory for retail sales.

In September 2017, Changzhou Ringold International Trading Co., Ltd. ("Ringold") was established in China. All of the raw materials are procured from third parties through Ringold.

In September 2018, Crazy Industry (Changzhou) Industry Technology Co., Ltd. ("Crazy Industry") was established in China. Crazy Industry is the research and development hub.

In June 2020, Dotfloor Inc. ("Dotfloor") was established in California. Dotfloor operates [dotfloor.com](http://dotfloor.com), our online store that offers our vinyl flooring products to retail customers in the United States.

In March 2022, Northann Corp. ("Northann"), our current ultimate holding company, was incorporated in Nevada as part of the restructuring transactions in contemplation of our initial public offering. In April 2022, we completed a share swap transaction and issued common stock and Series A Preferred Stock of Northann to the then existing shareholders of NBS, based on their then ownership percentage, and NBS became our wholly owned subsidiary.

Our revenue mainly consists of wholesale and retail of the vinyl flooring products, which are primarily marketed and sold in the United States and Canada. We have also licensed some of our patents to other manufacturers with the goal to promote our technologies in the flooring industry. We believe that a wider market acceptance of our technologies and to penetrate the markets and encourages innovation and changes to an already developed and static industry. Our cost refers to the cost of material and labor cost. The percentage of direct material was over 90% of the total cost of revenue. If the availability of direct materials (raw materials) increases, these costs increase, and we are unable to either offset or pass along increased costs to our customers, our financial condition, liquidity or results of operations could be adversely affected.

#### **Key Factors that Affect Results of Operations**

We believe the key factors that affect and could affect our affecting its financial condition and results of operations include the following:

- We may fail to innovate or offer new products which align with changing market and customer demand.
- Our business may face risks of clients' default on payment.
- We may not manage our growth effectively, and our profitability may suffer.
- Our reputation and brand recognition is crucial to our business. Any harm to our reputation or failure to enhance our brand recognition may materially and adversely affect our results of operations.
- Increases in labor costs and market price of raw materials may adversely affect our gross margin and results of operations.
- Certain of our products have historically faced significant competition both in the United States and Canada markets, and we have successfully competed against our competitors' products and rapid fulfillment of customer orders. However, our business could be adversely affected by competitors who reduce prices, improve quality of the products, or which may reduce our customers' purchases of products from us.
- Our business operations have been and may continue to be materially and adversely affected by the global supply chain disruption as a result of the COVID-19 pandemic.
- Rising inflation rate may adversely affect our results of operation. Recently, inflation has trended significantly higher than in prior periods, which may negatively impact our results. In addition, a surge of oil and gas price, driven in part by the COVID-19 pandemic, geopolitical issues and the war in Ukraine, continue to have adverse macroeconomics impact. To mitigate the impact, we have raised the price of products to cover increase in costs and slowed down investments on products with low profit-margins.

#### **Critical Accounting Policies and Estimates**

##### ***Use of Estimates***

The preparation of these consolidated financial statements requires management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and income. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. For making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Accounting policies that reflect the Company's most significant estimates and judgments, and those that the Company believes are the most critical to fully understanding and evaluating its financial condition and results of operations.

##### ***Revenue Recognition***

The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for the goods or services. The Company recognizes revenues following the five-step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation.

Revenue for sales of products which are primarily comprised of hardwood floors and three-dimensional printed flooring are recognized at the time of delivery of the products set forth in the contract. Revenue for physical and legal control of the asset is passed from the Company to its customer, at which time the Company believes it has satisfied the single performance obligation to complete the contract. Company's contracts do not allow for returns, refunds, or warranties; however, it is customary in the industry to manufacturers to ship a small portion of extra product to allow for practical practice, under very specific situations, the Company has historically agreed to provide minor discounts to customers who made complaints on products purchased. The Company has incurred as the Company is not able to reliably estimate such future expenses.

With respect to patent licensing, the Company grants the use of certain intellectual property to its customer for a fixed fee over a specified length of time. The management believes that the performance obligation and revenues from patent licensing should be recognized over time.

Revenues are recognized when control of the promised goods or services is transferred to our customers, which may occur at a point in time or over time depending on the terms of the contract. Revenues reflects the consideration we expect to be entitled to in exchange for those goods or services.

##### ***Practical expedients and exemption***

The Company has not incurred any costs to obtain contracts and does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of more than one year. The Company typically enters into agreements with its customers where its set forth the product to be sold, the price, payment terms, and any antecedent terms such as shipping and handling. The Company typically recognizes revenue at point in time, which is when physical possession of the product is transferred to the customer. Location of transfer may be a shipping port or a specified destination; at this point the customer reasonably expect to pay for the product, or in the event where it has paid in advance, the product is delivered, satisfied and the funds are considered earned by the Company. If the Company sells products on account to customers, they are typically paid within 90 days. Any funds received in advance of the customer are contract liabilities that are recorded as unearned revenue on the Company's consolidated balance sheets. \$10 and \$1,667,355 were recognized as revenue from unearned revenue in 2023 and during the nine months ended September 30, 2022.



#### **Fair Value of Financial Instruments**

U.S. GAAP establishes a three-tier hierarchy to prioritize the inputs used in the valuation methodologies in measuring the fair value of financial instruments. This hierarchy also requires the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value. The three-tier fair value hierarchy is:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – unobservable inputs which are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash, accounts receivable, other current assets, accounts payable, and accruals and other payable approximate their fair value.

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Company elected the fair value measurement option. Changes in the fair value are reflected in the accompanying consolidated statements of operations and comprehensive loss as other income (expense). To the extent the fair value of investments differs from the cost of investments, the difference is recognized in the consolidated statements of operations and comprehensive loss. The rate of return provided by banks at the end of each period using the discounted cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 or Level 3. As of September 30, 2023, the Company had no investments in financial instruments.

#### **Income tax**

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood that the Company will realize the benefits of these assets. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis of those assets and liabilities. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefits, or the Company will not be able to generate sufficient taxable income to realize the benefits. Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being p two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or other legal proceedings. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be de-recognized if the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the year incurred. GAAP also provides guidance on de-recognition, classification, measurement and transition.

The Company accounts for an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities, and the Company recognizes interest and penalties related to the gross unrecognized tax benefits and includes as part of its income tax provision based on the applicable income tax regulations. The Company did not accrue any liability, interest or penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations. The Company had no uncertain tax position for the the nine months ended September 30, 2023.

#### Recent Accounting Pronouncements

See the discussion of the recent accounting pronouncements contained in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies".

#### Results of Operations

#### Comparison of for the Three Months Ended March 31, 2023September 30 4, 2023 to the Three Months Ended and 202September 30 3, 2022

The following table sets forth key components of our results of operations for the threemonths ended March 31, 2023September 30 4and 2023, 2023 and 2022, both in dollars and as a

	Three Months Ended September 30,				
	2023		2022		
	Amount	of Revenue	Amount	of Revenue	
Revenues	2,160,258	100.00%	5,480,966	100.00%	4,
Cost of revenues	3,423,295	158.47%	2,615,972	47.73%	3,
Gross profit	(1,263,037)	(58.47)%	2,864,994	52.27%	1,
Operating expenses					
Selling expenses	193,236	8.95%	253,484	4.62%	
General and administrative expenses	354,902	16.43%	1,510,515	27.56%	
Research and development expenses	99,161	4.59%	383,289	6.99%	
Finance Cost	-	-	-	-	
Income from operations	(1,910,336)	(88.43)%	717,706	13.09%	
Other Income (expenses)					
Interest expense	(20,685)	(0.96)%	(125,057)	(2.28)%	(
Amortization of debt discounts	-	-%	(223,566)	(4.08)%	
Other income	134	0.01%	4,056	0.07%	
Other expenses	(990,725)	(45.86)%	60,293	1.10%	
Exchange loss	-	0.00%	-	0.00%	
Net (loss) income before taxes	(2,921,613)	(135.24)%	433,433	7.91%	
Net Income before taxes					(
Income tax benefit (expenses)	-	-%	65,867	1.20%	
Net (loss) income	(2,921,613)	(135.24)%	499,300	9.11%	
Net income					
Other comprehensive loss					
Foreign currency translation adjustment	(717,044)	(33.19)%	(2,422,834)	(44.20)%	
Total comprehensive (loss) income	(3,638,657)	(168.44)%	(1,923,534)	(35.09)%	
Total comprehensive income					

**Revenues.** Our revenues were \$2,160,258 for the three months ended September 30, 2023, representing a decrease of \$3,320,708 or 61% from \$5,480,966 \$4,595,531 for the three months ended September 30, 2022, representing a decrease of \$1,860,598 or 68% from \$2,734,933 for the three months ended March 31, 2023. The decrease increase was mainly due to a decrease n increase in customer sales volume for the three months ended September 30, 2023 March 30, 2024 as compared to the same period in 2022, 2022. Sales volume decreased because our customers have kept a great deal of our products.

	ThreeMonths Ended	
	September30,	
	2023	2022
Sales of products	\$ 2,135,258	\$ 5,455,966
Patent licensing	\$ 25,000	\$ 25,000
Total	\$ 2,160,258	\$ 5,480,966
<b>Cost of revenues.</b> Our cost of revenues was \$3,423,295\$3,051,541 for the three months ended September 30, 2023 March 31, 2024, compared to \$2,615,972 \$1,484,991 for the same period ended September 30, 2022 March 31, 2023. The increase of cost of revenues compared to the three months ended September 30, 2022 is due to the increased increase in our revenues and increase in purchase price of raw material. We paid tariffs of \$89,390 during the three months ended March 30, 2024, and \$60,309 during the three months ended September 30, 2023. increase in material purchased. tariff was mainly due to increase in revenue.		
<b>Gross profit and gross margin.</b> Our gross margin profit was negative \$1,263 1,543,990,037for the three months ended September 30, 2023 March 31, 2024, compared with a gross margin profit of \$1,263 1,543,990,037 for the three months ended September 30, 2022 March 31, 2023. Gross margin decreased decreased from 52.3%45.70% for the sixthree ended September 30, 2022 March 31, 2023to (58 33.6.5%) for the three months ended September 30, 2022 March 31, 2023. 4 due to higherpurchase price of our raw material increased greatly.		
	2	

#### Selling expenses

expenses. As shown below, our selling expenses consist primarily of compensation and benefits to our selling department and other expenses incurred in connection with general operations. As shown below, our selling expenses consist primarily of compensation and benefits to our selling department and other expenses incurred in connection with general operations. Our selling expenses decreased increased by \$1,155,613 \$129,910 to \$354,902 \$ 485,037 for the three months ended March 31, 2024 from \$1,510,515 \$355,127 for the same period in 2023. The decrease increase was mainly caused by the bad debt provided to increase of service fees for legal, auditing and account receivable new public company status starting from the last quarter of \$1,192,840 during the three months ended September 30, 2022, which was not provided during the three months ended September 30, 2023.

	Three Months Ended					
	September 30, 2023		September 30, 2022		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salaries and Social Insurance	98,493	50.97%	82,861	32.69%	15,632	15.63%
Freight insurance	12,038	6.23%	71,252	28.11%	(59,214)	(83.34%)
Rent	7,575	3.92%	12,966	5.12%	(5,391)	(41.58%)
Advertising fee	58,301	30.17%	58,453	23.06%	(152)	(0.26%)
Travel fee	16,829	8.71%	27,952	11.03%	(11,123 )	(39.82%)
Others	-	0.00%	-	0.00%	-	-
Total selling expenses	193,236	100.00%	253,484	100.00%	(60,248)	(23.77%)

	March 31, 2024		March 31, 2023		
	Amount	Proportion	Amount	Proportion	
Salaries and Social Insurance	83,131	38.07%	92,284	46.49%	
Freight insurance	18,240	8.35%	18,286	9.21%	
Rent	11,924	5.46%	6,627	3.34%	
Advertising fee	77,843	35.65%	31,708	15.98%	
Travel fee	27,237	12.47%	49,543	24.96%	
Others	-	0.00%	43	0.02%	
Total selling expenses	218,375	100.00%	198,491	100.00%	

**General and administrative expenses.**As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, financial and administrative expenses incurred in connection with general operations. Our general and administrative expenses decreased increased by \$1,155,613 \$129,910 to \$354,902 \$ 485,037 for the three months ended March 31, 2024 from \$1,510,515 \$355,127 for the same period in 2023. The decrease increase was mainly caused by the bad debt provided to increase of service fees for legal, auditing and account receivable new public company status starting from the last quarter of \$1,192,840 during the three months ended September 30, 2022, which was not provided during the three months ended September 30, 2023.

	March 31, 2024		March 31, 2023		
	Amount	Proportion	Amount	Proportion	
Salary and Social Insurance	41,583	8.57%	44,491	12.53%	
Service fees	286,281	59.02%	155,590	43.81%	
Royalty fee	5,820	1.20%	6,902	1.95%	
Entertainment expenses	20,928	4.31%	15,530	4.37%	
Taxation	11	0.00%	-	0.00%	
Depreciation and amortization	24,633	5.08%	34,975	9.85%	
Bad debt	-	0.00%	-	0.00%	
Rent	8,954	1.85%	11,377	3.20%	
Travel fee	19,689	4.06%	28,666	8.07%	
Office expenses	35,370	7.29%	25,208	7.10%	
Other	41,768	8.61%	32,388	9.12%	
Total general and administrative expenses	485,037	100.00%	355,127	100.00%	

#### Three Months Ended

	September 30, 2023		September 30, 2022		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Salary and Social Insurance	31,640	8.92%	32,044	2.12%	(404)	(1.22%)
Service fees	215,884	60.83%	139,948	9.26%	75,936	54.57%
Royalty fee	5,772	1.63%	6,036	0.40%	(264)	(4.37%)
Entertainment expenses	6,088	1.72%	21,184	1.40%	(15,096)	(71.50%)
Taxation	20,382	5.74%	24,669	1.63%	(4,287)	(17.38%)
Depreciation and amortization	27,206	7.67%	36,675	2.43%	(9,469)	(27.48%)
Bad debt	-	0.00%	1,192,840	78.97%	(1,192,840)	(100.00%)
Rent	18,749	5.28%	(23,201)	(1.54)%	41,950	184.70%
Travel fee	233	0.07%	4,263	0.28%	(4,030)	(94.52%)
Office expenses	15,693	4.42%	66,066	4.37%	(50,373)	(76.25%)
Other	13,255	3.73%	9,991	0.66%	3,264	32.67%
Total general and administrative expenses	354,902	100.00%	1,510,515	100.00%	(1,155,613)	(76.49%)

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**Research and development expenses.**Our research and development expenses were \$99,161\$512,597 for the three months ended September 30, 2023 March 31, 2024, compared to \$1,094,228 for the three months ended September 30, 2022 March 31, 2023. The decrease increase was primarily due to relatively high more projects in research and development expenditures process during the three months ended March 31, 2023, when we developed our technology and products. 2023.

**Income tax expense.**Our Income tax expense was \$nil for the three months ended September 30, 2023 March 31, 2024 as we incurred loss in this quarter, and Income tax benefit was \$nil for the three months ended September 30, 2022 March 31, 2023.

**Net (loss) income.**As a result of the cumulative effect of the factors described above, our net loss income was \$549,921,613 \$800 for the three months ended September 30, 2023 March 31, 2024 for the three months ended September 30, 2022 March 31, 2023. The decrease increase was primarily due to the decrease increase in revenue, and increase of \$990,725 in expense borrowed in 2022.

**Comparison for the Nine Months Ended September 30, 2023 and to the Nine Months Ended September 30, 2022 revenue.**

The following table sets forth key components of our results of operations for the nine months ended September 30, 2023 and 2022, both in dollars and as a percentage of our revenue.

	Nine Months Ended September 30, 2023	
	2023	
	Amount	of Revenue
Revenues	9,436,881	100.00%
Cost of revenues	8,547,213	90.57%
Gross profit	889,668	9.43%
Operating expenses		
Selling expenses	538,672	5.71%
General and administrative expenses	1,094,228	11.60%
Research and development expenses	609,476	6.46%
Finance Cost	-	-
Income from operations	(1,352,708)	(14.33)%
Other Income (expenses)		
Interest expense	(439,142)	(4.65)%
Amortization of debt discounts	(645,576)	(6.84)%
Other income	681	0.01%
Other expenses	(990,725)	(10.50)%
Net (loss) income before taxes	(3,427,470)	(36.32)%
Income tax expenses	(5,764)	(0.06)%
Net (loss) income	(3,433,234)	(36.38)%
Other comprehensive loss		
Foreign currency translation adjustment	(332,853)	(3.53)%
Total comprehensive (loss) income	(3,766,087)	(39.91)%

**Revenues.**Our revenues were \$9,436,881for the nine months ended September 30, 2023, representing a decrease of \$10,370,670or52% from \$19,807,551 for the nine months ended September 30, 2022 March 31, 2023 because our major customers kept a great deal of our products in their stock to avoid supply chain obstacles.

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	Nine Months Ended September 30,	
	2023	2022
Sales of products	\$ 9,361,881	\$ 19,732,551
Patent licensing	\$ 75,000	\$ 75,000
Total	\$ 9,436,881	\$ 19,807,551

**Cost of revenues.** Our cost of revenues was \$8,547,213 for the nine months ended September 30, 2023, compared to \$14,851,873 for the same period in 2022. Cost of revenue percentage of direct material was over 90% of the total cost of revenues. The decrease of cost of revenues compared to the nine months ended September 30, 2022 was primarily due to the decrease in tariffs of \$195,667 during the nine months ended September 30, 2023, and \$485,806 during the nine months ended September 30, 2022. The decrease in tariff was mainly due to decrease in the price of material.

**Gross profit and gross margin.** Our gross profit was \$889,668 for the nine months ended September 30, 2023, compared to a gross profit of \$4,955,678 for the same period in 2022. The decrease in gross profit was mainly due to the increase in the price of material from 9% for the nine months ended September 30, 2022 to 9% for the nine months ended September 30, 2023 due to increased price in material.

**Selling expenses.** As shown below, our selling expenses consist primarily of compensation and benefits to our selling department and other expenses incurred in connection with general operations. Our selling expenses decreased by \$283,410 to \$538,672 for the nine months ended September 30, 2023, from \$822,082 for the same period in 2022. Freight insurance decreased by \$328,190 compared to the nine months ended September 30, 2022.

	Nine Months Ended			
	September 30, 2023		September 30, 2022	
	Amount	Proportion	Amount	Proportion
Salaries and Social Insurance	264,871	49.17%	249,016	30.29%
Freight insurance	33,994	6.30%	362,130	44.05%
Rent	23,942	4.44%	29,208	3.55%
Advertising fee	98,863	18.35%	105,708	12.86%
Travel fee	117,014	21.72%	76,020	9.25%
Others	42	0.01%	-	0.00%
Total selling expenses	538,672	100.00%	822,082	100.00%

**General and administrative expenses.** As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, financial and administrative expenses incurred in connection with general operations. Our general and administrative expenses decreased by \$967,670 to \$1,094,228 for the nine months ended September 30, 2023, from \$2,061,898 for the same period in 2022. The decrease was mainly caused by the bad debt provided to our account receivable of \$1,192,840 during the nine months ended September 30, 2022, which was not provided during the nine months ended September 30, 2023.

	Nine Months Ended			
	September 30, 2023		September 30, 2022	
	Amount	Proportion	Amount	Proportion
Salary and Social Insurance	108,051	9.87%	150,847	7.32%
Service fees	583,003	53.28%	312,377	15.15%
Royalty fee	18,319	1.67%	18,553	0.90%
Entertainment expenses	43,643	3.99%	64,553	3.13%
Taxation	40,930	3.74%	48,558	2.36%
Depreciation and amortization	96,334	8.80%	114,375	5.55%
Bad debt	-	-	1,192,840	57.85%
Rent	39,171	3.58%	-	-%
Travel fee	33,967	3.10%	22,187	1.08%
Office expenses	63,829	5.83%	98,751	4.79%
Other	66,981	6.12%	38,857	1.88%
Total general and administrative expenses	1,094,228	100.00%	2,061,898	100.00%

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Investing Activities

Net cash used in investing activities was \$7,642 \$270,242 for the nine three months ended September 30, 2023 March 31, 2024, as compared to \$282,633 \$159,398 net cash provided by investing activities for the nine three months ended September 30, 2022 March 31, 2023. The net cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 mainly consisted of payments for construction. The net cash used in investing activities for the nine three months ended September 30, 2022 also March 31, 2023 mainly included consisted of purchase of land used right.

Financing Activities

Net cash provided by used in financing activities for the nine three months ended March 31, 2023 September 30, 2024 was \$641,782, 2023 was \$1,291,788, as compared to net cash provided by financing activities for the nine three months ended March 31, 2022 September 30, 2023. The change was mainly due to the borrowing amounting \$1,084,000 secured loan borrowed from a financial institution made by the related parties part of our Company, and repayment of borrowings totaling \$1,725,782 during the nine three months ended September 30, 2022 March 31, 2023.

Contractual Obligations

The Company's subsidiary NDC has an operating lease primarily for its corporate office and equipment. The lease contract has a term of was within three years and the renewal is was within three years. Operating lease expenses were \$7,568 and \$6,835 for the three months ended September 30, 2023 and 2022, respectively.

Operating lease expenses were \$21,506 \$8,767 and \$20,371 \$7,569 for the nine three months ended March 31, 2023 September 30, 2024 and 2023, 2023 and 2022, respectively.

Off-Balance Sheet Transactions



We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, capital expenditures, or capital resources that is material to investors.

**JOBS Act**

On April 5, 2012, the Jumpstart Our Business Startups Act (the "JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, eases certain reporting requirements for companies that qualify as an "emerging growth company" and under the JOBS Act will be allowed to comply with new or revised accounting pronouncements based on the effective date for private companies. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective date.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable as we are a "smaller reporting company" as defined by Item 229.10(f)(1) of Regulation S-K.

**Item 4. Controls and Procedures**

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer (principal financial officer and principal accounting officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15(e) of Regulation S-K. Based on this evaluation, the Chief Executive Officer and **Interim** Chief Financial Officer concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective at ensuring that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (1) accumulated, consolidated and reported in a timely manner and (2) recorded, processed, summarized and reported in a timely manner.

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

## Item 1. Legal Proceedings

None.

## Item 1A. Risk Factors

As a smaller reporting company, we are not required to make disclosures under this item.

## Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

On October 23, 2023, we consummated the initial public offering (the "IPO") of 1,200,000 shares of common stock, par value \$0.001 per share, (the "Common Stock") at an offering generating gross proceeds of \$6,000,000. On October 25, 2023, the underwriters of the IPO fully exercised the over-allotment option that we granted to them in the IPO and purchased an additional 120,000 shares of common stock at the Public Offering Price (the "Over-Allotment Option"). The closing of the Over-Allotment Option took place on October 26, 2023. **None.**

The securities in the IPO, including the exercise by the underwriters of the Over-Allotment Option, were registered under the Securities Act of 1933 on a registration statement (the "Registration Statement"). The SEC declared the registration statement effective on September 29, 2023.

As contemplated in the Registration Statement, we intend to use the net proceeds from the IPO to fund (i) acquisition of real estate, facilities and equipment in the U.S.; (ii) product development; and (iii) general working capital. There has been no material change in the expected use of the net proceeds from our IPO as described in our Registration Statement for the IPO.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

Settlement Agreements

None. On May 3, 2024, the Company entered into separate settlement agreements (each, an "Agreement," and collectively, the "Agreements") with each of Hongyu Wang and the Investors, and each on similar terms. The Agreements set out the terms for a full and final settlement between the Company and each of the Investors arising out of a number of pre-litigation matters between the Company and the Investors, including but not limited to (i) that securities purchase agreement between the Company and each Investor dated May 12, 2022, (ii) that promissory note issued by the Company to each Investor dated May 16, 2022, and further amended pursuant to the amendment agreement entered by the parties on April 27, 2023 (each, a "Convertible Note", and collectively, the "Convertible Notes"), and (iii) that warrant for the purchase of 142,857 of the Company's shares, issued by the Company in favor of each Investor dated May 16, 2022 (each, the "Warrant" and collectively, the "Warrant"). Specifically, pursuant to each of the Agreements, the Company and each Investor agrees that, upon the requirements set forth at Section 2 of each Agreement therein, and the payment of the settlement sums within 15 business days after May 3, 2024), the Company and each Investor shall fully and forever, irrevocably and unconditionally, release, waive and discharge the other party, of all claims, demands, damages, losses, costs, expenses, and attorney's fees that such party may now have, has ever had or may hereafter have, against the other party, in accordance with section 3 of each Agreement, and shall undertake not to sue the other party in connection with the Agreements.

Additionally, once the settlement sums have been paid, the Convertible Notes and the Warrants shall be terminated in full and rendered null and void, and all past, current, or future obligations under the Convertible Notes and the Warrants shall be extinguished.

## Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report.

Exhibit No.	Description
<a href="#">10.1**†</a>	<a href="#">Second Settlement Agreement between Sam Yan and Northann Corp.</a>
<a href="#">10.2**†</a>	<a href="#">Second Settlement Agreement between Hongyu Wang and Northann Corp.</a>
<a href="#">31.1*</a>	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2*</a>	<a href="#">Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1**</a>	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.2**</a>	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance 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 Exhibit 101)

\* Filed herewith.

\*\* Furnished herewith. This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 to be incorporated by reference into any filings of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

^ Certain terms have been omitted pursuant to Item 601(b)(2)(ii) of Regulation S-K. The Registrant hereby undertakes to furnish copies of any of the terms upon request by the

† 10 Exhibits and schedules to this Exhibit have been omitted. Registrant agrees to furnish supplementally a copy of any of

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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

Northann Corp.	
Date: November 20, 2023 May 20, 2024	By: /s/ Lin Li Name: Lin Li Title: Chief Executive Officer (Principal Executive Officer)
Date: November 20, 2023 May 20, 2024	By: /s/ David M. KratochvilSunny S. Prasad Name: David M. Kratochvil Sunny S. Prasad Title: Interim Chief Financial Officer (Principal Accounting and Financial Officer)

8 11

[Pursuant to Item 601(b)(2)(ii) of Regulation S-K, certain term to this exhibit have been omitted as they are both not material and of the type that the registrant treats as private or confidential. A copy of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.]

[Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and attachments to this exhibit have been omitted. A copy of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.]

SECOND SETTLEMENT AGREEMENT

This Second Settlement Agreement (the "Agreement"), dated as of May 3, 2024, is entered into by and between Northann Corp., a Nevada corporation (the "Company"), and the Investor (the "Investor"), for the final settlement between the Company and the Investor in respect of the outstanding rights and obligations of the Company and Investor pursuant to (i) that securities purchase agreement entered into by the parties on May 13, 2022 (the "Securities Purchase Agreement"), (ii) that promissory note issued by the Company in favor of the Investor for a principal amount of US\$500,000, dated May 16, 2022 (the "Note"), (iii) that warrant for the Company's shares issued by the Company in favor of the Investor dated May 16, 2022 (the "Warrant"), (iv) that registration rights agreement entered into by the Company and the Investor dated October 19, 2023 ("First Settlement Agreement"), and (v) all Other Transaction Documents (as defined below).

WHEREAS:

- (A) On May 16, 2022, pursuant to the Securities Purchase Agreement, the Company issued and sold to the Investor, through introduction by placement agent Univest Securities, Company, the Note in an aggregate principal amount of \$500,000 and the Warrant to purchase 142,857 shares of common stock of the Company, on the terms and conditions set forth in the Securities Purchase Agreement. The Note was amended by the parties on April 27, 2023 (such amendment, the "Amendment Agreement"). On or about May 13, 2022, the parties also entered into a securities purchase agreement, a registration rights agreement and all the subsidiaries of the Company also entered into a guaranty and a guarantors securities agreement with the Company together with the Securities Purchase Agreement, the Note, the Warrant and the First Settlement Agreement, the "Transaction Documents";
- (B) On May 27, 2022, the following UCC financing statements were filed on behalf of Messrs. Hongyu Wang and Sam Yan as secured parties (as listed below, collectively "UCC Financing Statements"):

Jurisdiction	Financing Statement Number	Debtor(s) identified
DE	[Redacted]	·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp. ·Northann Distribution Center Inc
NV	[Redacted]	·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp. ·Northann Distribution Center Inc

CA

[Redacted]

·Northann Building Solutions LLC

·Dotfloor, Inc.

·Northann, Corp.

·Northann Distribution Center Inc

- (C) On October 19, 2023, the Company entered into the First Settlement Agreement with the Investor, for the settlement of the outstanding debt due by the Company to the Investor, as set forth in the First Settlement Agreement, attached as Exhibit A to this Agreement;
- (D) On or around October 23, 2023, the Company paid \$600,000 to the Investor in accordance with section 2(a) of the First Settlement Agreement;
- (E) On February 5, 2024, the Investor, through her law firm Sullivan & Worcester LLP, made certain demands (the "Demand Letter") with respect to amounts owed and outstanding by the Company, and on February 9, 2024, the Company responded to such demands (the "Response Letter") through its law firm Loeb & Loeb LLP;
- (F) On April 8, 2024, the Investor filed a lawsuit in the Supreme Court of the State of New York County of New York seeking damages from the Company in connection with all of the foregoing, entitled Yan, [Redacted], No. [Redacted] (the "New York Action"); and
- (G) Subsequent to further negotiations between the Company and the Investor, both parties desire to finally and fully resolve the outstanding disputes concerning the Transaction, and to discharge and release each other from all rights and obligations thereunder ("Outstanding R&Os"), pursuant to the terms of this Agreement.

#### AGREED TERMS

##### 1. Definitions and interpretation

Capitalized terms not otherwise defined herein shall have the meanings set forth in Transaction Documents.

##### 2. Settlement

The parties agree that upon completion of the requirements set forth in this section 2 ("Requirements"), each party shall fully and forever, irrevocably and unconditionally, release, defend, hold harmless and indemnify the other party, its affiliates, officers, directors, employees, agents, representatives, attorneys, accountants, auditors, and all Outstanding R&Os, that such party may now have, has ever had or may hereafter have, against the other party, in accordance with section 3 herein, and shall undertake the obligations set forth herein.

The Requirements are:

- (a) The Investor shall file a notice of discontinuance in the New York Action within twenty-four (24) hours of the full execution of this Agreement;
- (b) If the Investor meets his obligation under Section 2(a), the Company shall pay a total of \$250,000 ("Settlement Sum") to the Investor as full and fair consideration for the Note and the First Settlement Agreement; and (ii) all rights and obligations under the Warrant;
- (c) If the Investor meets his obligation under Section 2(a), the Company shall pay Settlement Sum to the Investor in fifteen (15) business days after the New York Action;
- (d) Within twenty-four (24) hours of the Company performing the obligation under Section 2(c), the Investor shall cause its attorney to release to Company a fully executed Release; and
- (e) If the Company fails to meet its obligations under Sections 2(b) and 2(c) of this Agreement, other than because the Investor fails to meet his obligation under Section 2(a), then this Second Settlement Agreement shall be void and the terms and conditions of the First Settlement Agreement shall remain in effect (and the Investor shall be permitted to take any Action or other proceeding to enforce the Transaction Documents and First Settlement Agreement).

### 3. Mutual Release

Upon the execution of this Agreement, the parties and the filing of the notice of discontinuance in the New York Action by the Investor, on behalf of themselves and their respective parent companies, divisions, subsidiaries, agents, affiliates, subrogees, insurers, trustees, trusts, administrators, representatives, personal representatives, legal representatives, transferees, and any firm, trust, corporation, partnership, and the respective consultants, employees, legal counsel, officers, directors, managers, shareholders, stockholders, owners of any "Releasors", in consideration of completion of the items contained in Section 2 above, hereby remise, release, acquit and forever discharge the other party and their agents, transferees, stockholders, owners, employees, legal counsel, successors, assigns, successors in interest of assigns, subrogees, insurers, trustees, trusts, administrators, fiduciaries and representatives, and any firm, trust, corporation or partnership (collectively, in such capacity, the "Releasees"), of and from any and all federal, state, local, foreign and any other jurisdiction's claims, demands, contribution and indemnification), causes of action, complaints, actions, suits, defenses, debts, sums of money, accounts, covenants, controversies, agreements, promises, losses, damages, actions, and demands of any nature whatsoever, in law or equity, known or unknown, of any kind, including, but not limited to, claims or other legal forms of action or from any contract, negligent, intentional, with or without malice, that the Parties ever had, now have, may have, may claim to have, or may hereafter have or claim to have, against the other Party, from hereof ("Released Claims"). For the avoidance of doubt, any monetary obligations of either party that are a part of the Released Claims shall be deemed fully satisfied under this section and shall not operate to release obligations under this Agreement.

#### 4. Covenant Not to Initiate Legal Action

Effective upon the execution of this Agreement and the filing of the notice of discontinuance in the New York Action by the Investor, each of the Releasors hereby irrevocably from, directly or indirectly, asserting any claim or demand, or commencing or instituting, or causing to be commenced or instituted, or otherwise facilitating, encouraging, any at Released Claims, and (ii) immediately terminate and withdraw any and all such legal actions; and each of the parties shall indemnify and hold harmless the other party for any defe actions, except for the purpose of enforcing its rights under this Agreement, and the terms set out herein. For the avoidance of doubt, the parties acknowledge that neither this Se either party from bringing Legal Action to enforce its rights under this Second Settlement Agreement including Investor's right to reinstate the New York Action pursuant to Section 2(d).

#### 5. Termination of Note and Warrant

Once the Company pays the Settlement Sum, the Note and the Warrant shall be terminated in full and rendered null and void, and all past, current, or future obligations o extinguished, except as otherwise expressly set forth in this Agreement. If the Investor holds a physical copy of the Warrant, he shall return the Warrant, which shall be marked payment of the Settlement Sum. The Investor acknowledges and agrees that upon the payment of the Settlement Sum, he shall have no surviving right, title or interest in or to thereunder or any other option, warrant, right or interest to acquire any equity of the Company.

#### 6. Representations and Warranties

- (a) The Company represents and warrants to the Investor as of the date of this Agreement that:
- (i) it has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement;
  - (ii) it has taken all necessary corporate actions to authorize the execution, delivery and performance of this Agreement and no further action is required by it, its members in connection therewith; and
  - (iii) the obligations assumed by it in this Agreement are legal, valid, and enforceable obligations binding on it in accordance with its terms.

- (b) The Investor represents and warrants to the Company as of the date of this Agreement that the obligations assumed by it in this Agreement are legal, valid, and enforceable in all material respects. The Investor further represents and warrants to the Company as of the date of this Agreement that no other UCC financing statements have been filed by the Investor or its affiliates.

**7. Counterparts and delivery.**

This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or electronic mail, the signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf".

**8. Non-Disparagement**

After the Investor files a notice of discontinuance in the New York Action, each party shall refrain from making, publishing or communicating to any person or entity or in any oral or written form that denigrate or disparage, or are detrimental to, the reputation or stature of any other party or any of its employees, directors and officers, and existing and prospective counterparties (including Univest and all employees, officers and partners thereof, respectively). Nothing in this Section 7, however, shall prohibit any party from making truthful statements (i) in connection with the arbitration, or mediation involving this Agreement, including the enforcement thereof; (ii) pursuant to a court order, subpoena, or legal process; or (iii) as may be required by applicable law.

**9. Confession of Judgment**

The Company agrees to allow the Investor, and only after the Investor files a notice of discontinuance in the New York Action, upon immediate nonoccurrence of payment of the Company without a hearing or any judicial process (the "Confession of Judgment"). The Confession of Judgment may be filed in any jurisdiction permitted under this Agreement. The Company agrees to the entry of the Confession of Judgment, and not to take any appeal therefrom. A form of the confession of judgment is attached hereto as Exhibit A.

**10. Representation by Counsel.**

Each party hereto has relied, or has had the opportunity to rely, upon the advice and representation of counsel selected by them respecting the legal liabilities and obligations and claims released hereunder, and the parties hereto have been fully advised, or had the opportunity to be fully advised, as to the legal effect thereof by their respective counsel. The parties have entered into this Agreement willingly and voluntarily with full knowledge and understanding of the terms and consequences hereof.



## 11. Effectuation

Each of the parties agrees to execute any and all additional documents necessary to effectuate the intent and purpose of this Agreement.

## 12. Governing law

This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws. Any lawsuit or legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective officers, directors, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the courts of the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein. Each party hereby asserts in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient forum. Each party irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or by first class mail to the party at the address in effect for notices to it under the Securities Purchase Agreement and agrees that such service shall constitute good and sufficient service of process and notice and shall not constitute a limit in any way any right to serve process in any other manner permitted by law.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and the Investor have caused this Settlement Agreement to be signed by their duly authorized officers.

NORTHANN CORP.

By: /s/ Lin Li

Name: Lin Li

Title: CEO

SAM YAN

By: /s/ Sam Yan

Name: Sam Yan

EXHIBIT A  
CONFESSION OF JUDGMENT  
[\*\*\*]

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**EXHIBIT B**  
**RELEASE OF SECURITY INTERESTS**

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RELEASE OF SECURITY INTERESTS

THIS RELEASE OF SECURITY INTERESTS, dated as of May \_\_, 2024, (this "Release") is made by Sam Yan ("Investor"), and in favor of Northann, Corp. (a Nevada corporation not limited to Northann Building Solutions LLC (a Delaware corporation), Dotfloor, Inc. (a California corporation), and Northann Distribution Center Inc (a California corporation) (collectively, the "Released Collateral").

WHEREAS on or about May \_\_, 2022, the Northann, Corp. and Investor entered into, among other things, a securities agreement, a patent security agreement, and a trademark license agreement, all of which are collectively referred to as the "May 2022 Agreements";

WHEREAS on or about May 27, 2022, the following UCC financing statements were filed on behalf of Messrs. Hongyu Wang and Sam Yan as secured parties (as listed below):

Jurisdiction	Financing Statement Number	Debtor(s) identified
DE	[Redacted]	<div><div></div><div>Northann Building Solutions LLC</div><div></div></div> <div><div></div><div>Dotfloor, Inc.</div><div></div></div> <div><div></div><div>Northann, Corp.</div><div></div></div> <div><div></div><div>Northann Distribution Center Inc</div><div></div></div>
NV	[Redacted]	<div><div></div><div>Northann Building Solutions LLC</div><div></div></div> <div><div></div><div>Dotfloor, Inc.</div><div></div></div> <div><div></div><div>Northann, Corp.</div><div></div></div> <div><div></div><div>Northann Distribution Center Inc</div><div></div></div>
CA	[Redacted]	<div><div></div><div>Northann Building Solutions LLC</div><div></div></div> <div><div></div><div>Dotfloor, Inc.</div><div></div></div> <div><div></div><div>Northann, Corp.</div><div></div></div> <div><div></div><div>Northann Distribution Center Inc</div><div></div></div>

WHEREAS, the Grantors have requested and the Investor has agreed to provide a document evidencing and effecting the release, relinquishment and discharge of its security interest in the Released Collateral pursuant to the May 2022 Agreements (the "Released Collateral") and referenced in the UCC Financing Statements.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Investor does hereby, in each case, with whatsoever, (a) terminate the Lien and security interest created under the May 2022 Agreements in the Released Collateral, (b) release its Lien and security interest in the Release and interest it has in and the security interest granted to the Investor in the Released Collateral.

IN WITNESS WHEREOF, the Investor has caused this Release to be signed.

SAM YAN

By:

Name: Sam Yan

[Pursuant to Item 601(b)(2)(ii) of Regulation S-K, certain term to this exhibit have been omitted as they are both not material and of the type that the registrant treats as private or confidential and will not be furnished supplementally to the SEC upon request.]

[Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and attachments to this exhibit have been omitted. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request.]

SECOND SETTLEMENT AGREEMENT

This Second Settlement Agreement (the "Agreement"), dated as of May 3, 2024, is entered into by and between Northann Corp., a Nevada corporation (the "Company"), and the Investor in respect of the outstanding rights and obligations of the Company and Investor pursuant to (i) that securities purchase agreement entered by the parties on April 27, 2023 (the "Securities Purchase Agreement"), (ii) that promissory note issued by the Company in favor of the Investor for a principal amount of US\$500,000, dated May 12, 2022 (the "Note"), (iii) that warrant for the Company's shares issued by the Company in favor of the Investor dated May 12, 2022 (the "Warrant"), (iv) that amendment agreement entered by the parties on April 27, 2023 (the "Amendment Agreement"), and (v) all Other Transaction Documents (as defined below).

WHEREAS:

(A) On May 16, 2022, pursuant to the Securities Purchase Agreement, the Company issued and sold to the Investor, through introduction by placement agent Univest Securities, Company, the Note in an aggregate principal amount of \$500,000 and the Warrant to purchase 142,857 shares of common stock of the Company, on the terms and conditions set forth in the Securities Purchase Agreement. On May 12, 2022, the parties also entered into a securities agreement, a registration rights agreement and all the subsidiaries of the Company also entered into a guaranty and a guarantors securities agreement with the Investor. On April 27, 2023, the parties entered into an amendment to the Securities Purchase Agreement, the Note, the Warrant and the First Settlement Agreement, the "Transaction Documents";

(B) On May 27, 2022, the following UCC financing statements were filed on behalf of Messrs. Hongyu Wang and Sam Yan as secured parties (as listed below, collectively "UCC Filings"):

Jurisdiction	Financing Statement Number	Debtor(s) identified
DE	[Redacted]	·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp.
NV	[Redacted]	·Northann Distribution Center Inc ·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp.
CA	[Redacted]	·Northann Distribution Center Inc ·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp. ·Northann Distribution Center Inc

- (C) On October 19, 2023, the Company entered into the First Settlement Agreement with the Investor, for the settlement of the outstanding debt due by the Company to the Investor, as set forth in the First Settlement Agreement, attached as Exhibit A to this Agreement;
- (D) On or around October 23, 2023, the Company paid \$600,000 to the Investor in accordance with section 2(a) of the First Settlement Agreement;
- (E) On February 5, 2024, the Investor, through her law firm Sullivan & Worcester LLP, made certain demands (the "Demand Letter") with respect to amounts owed and outstanding by the Company, and on February 9, 2024, the Company responded to such demands (the "Response Letter") through its law firm Loeb & Loeb LLP;
- (F) On April 8, 2024, the Investor filed a lawsuit in the Supreme Court of the State of New York County of New York seeking damages from the Company in connection with all of the Company's obligations under the First Settlement Agreement, entitled [Redacted], No. [Redacted] (the "New York Action"); and
- (G) Subsequent to further negotiations between the Company and the Investor, both parties desire to finally and fully resolve the outstanding disputes concerning the Transaction, and to discharge and release each other from all rights and obligations thereunder ("Outstanding R&Os"), pursuant to the terms of this Agreement.

#### AGREED TERMS

##### 1. Definitions and interpretation

Capitalized terms not otherwise defined herein shall have the meanings set forth in Transaction Documents.

##### 2. Settlement

The parties agree that upon completion of the requirements set forth in this section 2 ("Requirements"), each party shall fully and forever, irrevocably and unconditionally, release, defend, hold harmless and indemnify the other party, its affiliates, officers, directors, employees, agents, representatives, successors and assigns, from and all Outstanding R&Os, that such party may now have, has ever had or may hereafter have, against the other party, in accordance with section 3 herein, and shall undertake the obligations set forth herein.



The Requirements are:

- (a) The Investor shall file a notice of discontinuance in the New York Action within twenty-four (24) hours of the full execution of this Agreement;
- (b) If the Investor meets his obligation under Section 2(a), the Company shall pay a total of \$250,000 ("Settlement Sum") to the Investor as full and fair consideration for the Note and the First Settlement Agreement; and (ii) all rights and obligations under the Warrant;
- (c) If the Investor meets his obligation under Section 2(a), the Company shall pay Settlement Sum to the Investor in fifteen (15) business days after the New York Action;
- (d) Within twenty-four (24) hours of the Company performing the obligation under Section 2(c), the Investor shall cause its attorney to release to Company a fully executed Release; and
- (e) If the Company fails to meet its obligations under Sections 2(b) and 2(c) of this Agreement, other than because the Investor fails to meet his obligation under Section 2(a), then this Second Settlement Agreement shall be void and the terms and conditions of the First Settlement Agreement shall remain in effect (and the Investor shall be permitted to take any Action or other proceeding to enforce the Transaction Documents and First Settlement Agreement).

### 3. Mutual Release

Upon the execution of this Agreement, the parties and the filing of the notice of discontinuance in the New York Action by the Investor, on behalf of themselves and their respective parent companies, divisions, subsidiaries, agents, affiliates, subrogees, insurers, trustees, trusts, administrators, representatives, personal representatives, legal representatives, transferees, and any firm, trust, corporation, partnership, and the respective consultants, employees, legal counsel, officers, directors, managers, shareholders, stockholders, owners of any "Releasors", in consideration of completion of the items contained in Section 2 above, hereby remise, release, acquit and forever discharge the other party and their agents, transferees, stockholders, owners, employees, legal counsel, successors, assigns, successors in interest of assigns, subrogees, insurers, trustees, trusts, administrators, fiduciaries and representatives, and any firm, trust, corporation or partnership (collectively, in such capacity, the "Releasees"), of and from any and all federal, state, local, foreign and any other jurisdiction's claims, demands, contribution and indemnification), causes of action, complaints, actions, suits, defenses, debts, sums of money, accounts, covenants, controversies, agreements, promises, losses, damages, actions, and demands of any nature whatsoever, in law or equity, known or unknown, of any kind, including, but not limited to, claims or other legal forms of action or from any contract, negligent, intentional, with or without malice, that the Parties ever had, now have, may have, may claim to have, or may hereafter have or claim to have, against the other Party, from hereof ("Released Claims"). For the avoidance of doubt, any monetary obligations of either party that are a part of the Released Claims shall be deemed fully satisfied under this section and shall not operate to release obligations under this Agreement.

#### 4. Covenant Not to Initiate Legal Action

Effective upon the execution of this Agreement and the filing of the notice of discontinuance in the New York Action by the Investor, each of the Releasors hereby irrevocably from, directly or indirectly, asserting any claim or demand, or commencing or instituting, or causing to be commenced or instituted, or otherwise facilitating, encouraging, any at Released Claims, and (ii) immediately terminate and withdraw any and all such legal actions; and each of the parties shall indemnify and hold harmless the other party for any defe actions, except for the purpose of enforcing its rights under this Agreement, and the terms set out herein. For the avoidance of doubt, the parties acknowledge that neither this Se either party from bringing Legal Action to enforce its rights under this Second Settlement Agreement including Investor's right to reinstate the New York Action pursuant to Section 2(d).

#### 5. Termination of Note and Warrant

Once the Company pays the Settlement Sum, the Note and the Warrant shall be terminated in full and rendered null and void, and all past, current, or future obligations o extinguished, except as otherwise expressly set forth in this Agreement. If the Investor holds a physical copy of the Warrant, he shall return the Warrant, which shall be marked payment of the Settlement Sum. The Investor acknowledges and agrees that upon the payment of the Settlement Sum, he shall have no surviving right, title or interest in or to thereunder or any other option, warrant, right or interest to acquire any equity of the Company.

#### 6. Representations and Warranties

(a) The Company represents and warrants to the Investor as of the date of this Agreement that:

- (i) it has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement;
- (ii) it has taken all necessary corporate actions to authorize the execution, delivery and performance of this Agreement and no further action is required by it, its members in connection therewith; and
- (iii) the obligations assumed by it in this Agreement are legal, valid, and enforceable obligations binding on it in accordance with its terms.

- (b) The Investor represents and warrants to the Company as of the date of this Agreement that the obligations assumed by it in this Agreement are legal, valid, and enforceable in all material respects. The Investor further represents and warrants to the Company as of the date of this Agreement that no other UCC financing statements have been filed by the Investor or its affiliates.

**7. Counterparts and delivery.**

This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or electronic mail, the signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf".

**8. Non-Disparagement**

After the Investor files a notice of discontinuance in the New York Action, each party shall refrain from making, publishing or communicating to any person or entity or in any oral or written form that denigrate or disparage, or are detrimental to, the reputation or stature of any other party or any of its employees, directors and officers, and existing and prospective counterparties (including Univest and all employees, officers and partners thereof, respectively). Nothing in this Section 7, however, shall prohibit any party from making truthful statements (i) in connection with the arbitration, or mediation involving this Agreement, including the enforcement thereof; (ii) pursuant to a court order, subpoena, or legal process; or (iii) as may be required by applicable law.

**9. Confession of Judgment**

The Company agrees to allow the Investor, and only after the Investor files a notice of discontinuance in the New York Action, upon immediate nonoccurrence of payment of the Company without a hearing or any judicial process (the "Confession of Judgment"). The Confession of Judgment may be filed in any jurisdiction permitted under this Agreement. The Company agrees to the entry of the Confession of Judgment, and not to take any appeal therefrom. A form of the confession of judgment is attached hereto as Exhibit A.

**10. Representation by Counsel.**

Each party hereto has relied, or has had the opportunity to rely, upon the advice and representation of counsel selected by them respecting the legal liabilities and obligations and claims released hereunder, and the parties hereto have been fully advised, or had the opportunity to be fully advised, as to the legal effect thereof by their respective counsel. The parties have entered into this Agreement willingly and voluntarily with full knowledge and understanding of the terms and consequences hereof.

**11. Effectuation**

Each of the parties agrees to execute any and all additional documents necessary to effectuate the intent and purpose of this Agreement.

**12. Governing law**

This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws. Any proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the courts of the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein. Each party irrevocably and exclusively waives, in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient forum, that the service of process is defective, that it is not a resident of the State of New York, that it is not a citizen of the United States or that it is not a resident of the City of New York. Each party irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or by first class mail with return receipt requested to the party at the address in effect for notices to it under the Securities Purchase Agreement and agrees that such service shall constitute good and sufficient service of process and notice and shall not constitute a limitation in any way any right to serve process in any other manner permitted by law.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, the Company and the Investor have caused this Settlement Agreement to be signed by their duly authorized officers.

NORTHANN CORP.

By: /s/ Lin Li

Name: Lin Li

Title: CEO

HONGYU WANG

By: /s/ Hongyu Wang

Name: Hongyu Wang

EXHIBIT A  
CONFESSION OF JUDGMENT  
[\*\*\*]

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RELEASE OF SECURITY INTERESTS

THIS RELEASE OF SECURITY INTERESTS, dated as of May \_\_\_, 2024, (this "Release") is made by Hongyu Wang ("Investor"), and in favor of Northann, Corp. (a Nevada corporation) but not limited to Northann Building Solutions LLC (a Delaware corporation), Dotfloor, Inc. (a California corporation), and Northann Distribution Center Inc (a California corporation) (collectively, the "Released Collateral"). WHEREAS on or about May \_\_\_, 2022, the Northann, Corp. and Investor entered into, among other things, a securities agreement, a patent security agreement, and a trademark license agreement; and WHEREAS on or about May 27, 2022, the following UCC financing statements were filed on behalf of Messrs. Hongyu Wang and Sam Yan as secured parties (as listed below):

Jurisdiction	Financing Statement Number	Debtor(s) identified
DE	[Redacted]	·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp. ·Northann Distribution Center Inc
NV	[Redacted]	·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp. ·Northann Distribution Center Inc
CA	[Redacted]	·Northann Building Solutions LLC ·Dotfloor, Inc. ·Northann, Corp. ·Northann Distribution Center Inc

WHEREAS, the Grantors have requested and the Investor has agreed to provide a document evidencing and effecting the release, relinquishment and discharge of its security interest in the Released Collateral pursuant to the May 2022 Agreements (the "Released Collateral") and referenced in the UCC Financing Statements.



NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Investor does hereby, in each case, with whatsoever, (a) terminate the Lien and security interest created under the May 2022 Agreements in the Released Collateral, (b) release its Lien and security interest in the Release and interest it has in and the security interest granted to the Investor in the Released Collateral.

IN WITNESS WHEREOF, the Investor has caused this Release to be signed.

HONGYU WANG

By: \_\_\_\_\_  
Name: Hongyu Wang

**CERTIFICATION OF PRINCIPAL 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, Lin Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024** of Northann Corp.;
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, 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 for the periods presented in this report;
4. The registrant'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 have performed our duties as principal executive officer and principal financial officer, respectively, in a manner that ensures that the registrant is able to meet its obligations to disclose material information in a timely and accurate manner.
  - 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 is properly communicated to the registrant's management and board of directors; and
  - b) (Paragraph omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a));
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal year ending December 31, 2023) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors or accountants (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to report financial information and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 20, 2023** **May 20, 2024**

By: /s/ Lin Li  
Lin Li  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL 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, David M. Kratochvil, **Sunny S. Prasad**, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024** of Northann Corp.;
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, 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 for the periods presented in this report;
4. The registrant'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)) over financial reporting 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 is properly communicated to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) (Paragraph omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a));
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal year ending May 20, 2024) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors or accountants (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to report financial information and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 20, 2023** **May 20, 2024**

By: **/s/ David M. Kratochvil Sunny S. Prasad**  
**David M. Kratochvil Sunny S. Prasad**  
**Interim Chief Financial Officer**  
(Principal Accounting and Financial Officer)



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

In connection with the Quarterly Report of Northann Corp. (the "Company") on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission, I, Lin Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: **November 20, 2023** **May 20, 2024**

By: /s/ Lin Li  
Lin Li  
Chief Executive Officer  
(Principal Executive Officer)

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

In connection with the Quarterly Report of Northann (the "Company") on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission, **David M. Kratochvil, Sunny S. Prasad, Acting** Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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 operations of the Company.

Dated: **November 20, 2023** **May 20, 2024**

By: /s/ David M. Kratochvil Sunny S. Prasad  
David M. Kratochvil Sunny S. Prasad  
**Interim** Chief Financial Officer  
(Principal Accounting and Financial Officer)

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