UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

☐ **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	**88-1513509**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
c/o Northann Distribution Center Inc. **9820 Dino Drive, Suite 110** **Elk Grove, CA 95624**	**95624**
(Address of Principal Executive Offices)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of August 14, 2024, there were 24,240,000 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)
(In U.S. dollars)

	As of June 30, 2024 (Unaudited)	As of December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash	$ 220,338	$ 1,101,443
Restricted cash	3,748	3,771
Accounts receivable, net	2,533,143	2,615,458
Inventory, net	3,045,851	2,645,488
Prepayments	532,661	311,402
Other receivables and other current assets	55,598	127,313
Total current assets	6,391,339	6,804,875
NON-CURRENT ASSETS		
Property, plant and equipment, net	4,365,871	4,724,105
Construction in progress	1,289,167	962,338
Land use rights, net	1,012,829	1,030,982
Operating lease right-of-use assets, net	71,870	87,380
Security deposits	9,030	9,030
Total non-current assets	6,748,767	6,813,835
TOTAL ASSETS	$ 13,140,106	$ 13,618,710
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank borrowings - current	4,471,427	5,689,721
Operating lease liabilities, current	32,207	31,413
Accounts and other payables and accruals	2,508,758	4,538,322
Taxes payable	514,158	608,679
Unearned revenue	1,553,034	1,084,484
Amounts due to related parties	2,931,343	302,943
Obligation under secured borrowing arrangement	-	599,664
Total current liabilities	12,010,927	12,855,226
Bank borrowings – non-current	120,519	124,905
Operating lease liabilities, – non-current	39,663	55,967
Total non-current liabilities	160,182	180,872
TOTAL LIABILITIES	$ 12,171,109	$ 13,036,098
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock – Series A, $0.001 par value, 100,000,000 shares authorized, 20,000,000 shares designated, 10,000,000 and 5,000,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023	10,000	5,000
Common stock, $0.001 par value, 400,000,000 shares authorized, 24,240,000 and 21,380,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023	24,240	21,380
Subscription receivable	(30,000)	(25,000)
Additional paid-in capital	7,829,752	6,671,016
Retained earnings	(6,251,405)	(5,313,943)
Accumulated other comprehensive loss	(613,590)	(775,841)
Total stockholders' equity	968,997	582,612
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 13,140,106	$ 13,618,710

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES	$ 3,888,893	$ 4,541,690	$ 8,484,424	$ 7,276,623
COST OF REVENUES	2,988,266	3,638,926	6,039,807	5,123,917
GROSS PROFIT	900,627	902,764	2,444,617	2,152,706
OPERATING EXPENSES				
Selling expenses	187,062	146,945	405,437	345,436
General and administrative expenses	1,461,225	384,199	1,946,262	739,326
Finance Cost	-	-	-	
Research and development expenses	419,588	210,104	932,185	510,315
Total operating expenses	2,067,875	741,248	3,283,884	1,595,077
INCOME FROM OPERATIONS	(1,167,248)	161,516	(839,267)	557,629
OTHER INCOME (EXPENSE)				
Interest expense	(77,696)	(330,720)	(345,644)	(418,457)
Amortization of debt discounts	-	(522,288)	-	(645,576)
Extinguishment loss	-	-	-	
Other income	250,248	394	250,248	552
Other expenses	-	-	-	-
Exchange loss	-	(5,600)	-	
Total other income (expenses), net	172,552	(858,214)	(95,396)	(1,063,481)
LOSS BEFORE TAXES	(994,696)	(696,698)	(934,663)	(505,852)
Income tax expense	(2,799)	(389)	(2,799)	(5,769)
NET LOSS	(997,495)	(697,087)	(937,462)	(511,621)
Other comprehensive income:				
Foreign currency translation adjustment	92,549	10,455	162,251	384,191
Total comprehensive loss	(904,946)	(686,632)	(775,211)	(127,430)
Basic and diluted earnings per share*	$ (0.04)	$ (0.03)	$ (0.04)	$ (0.03)
Weighted average number of shares of common stock outstanding – basic*	22,912,667	20,000,000	22,142,099	20,000,000
Weighted average number of shares of common stock outstanding – diluted*	22,912,667	20,000,000	22,142,099	20,000,000

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

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

	Preferred Stock – Series A		Common Stock						
	Number of shares	Amount	Number of shares	Amount	Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2023	5,000,000	$ 5,000	21,380,000	$ 21,380	$ (25,000)	$ 6,671,016	$ (5,313,943)	$ (775,841)	$ 582,612
Net loss	-	-	-	-	-	-	(937,462)	-	(937,462)
Issuance of shares	5,000,000	5,000	2,860,000	2,860	(5,000)	1,158,736			1,161,596
Foreign currency translation adjustment	-	-	-	-	-	-	-	162,251	162,251
Balance, June 30, 2024	10,000,000	$ 10,000	24,240,000	$ 24,240	$ (30,000)	$ 7,829,752	$ (6,251,405)	$ (613,590)	$ 968,997

	Preferred Stock – Series A		Common Stock						
	Number of shares	Amount	Number of shares	Amount	Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, March 31, 2024	5,000,000	$ 5,000	21,380,000	$ 21,380	$ (25,000)	$ 6,671,016	$ (5,253,910)	$ (706,139)	$ 712,347
Net loss	-	-	-	-	-	-	(997,495)	-	(997,495)
Issuance of common stock	5,000,000	5,000	2,860,000	2,860	(5,000)	1,158,736			1,161,596
Foreign currency translation adjustment	-	-	-	-	-	-	-	92,549	92,549
Balance, June 30, 2024	10,000,000	$ 10,000	24,240,000	$ 24,240	$ (30,000)	$ 7,829,752	$ (6,251,405)	$ (613,590)	$ 968,997

	Preferred Stock – Series A		Common Stock						
	Number of shares	Amount	Number of shares	Amount	Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2022	5,000,000	$ 5,000	20,000,000	$ 20,000	$ (25,000)	$ 925,000	$ 1,818,630	$ (769,891)	$ 1,973,739
Net loss	-	-	-	-	-	-	(511,621)		(511,621)
Foreign currency translation adjustment								384,191	$ 384,191
Balance, June 30, 2023	5,000,000	$ 5,000	20,000,000	$ 20,000	$ (25,000)	$ 925,000	$ 1,307,009	$ (385,700)	$ 1,846,309

	Preferred Stock – Series A		Common Stock						
	Number of shares	Amount	Number of shares	Amount	Subscription receivable	Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, March 31, 2023	5,000,000	$ 5,000	20,000,000	$ 20,000	$ (25,000)	$ 925,000	$ 2,004,096	$ (396,155)	$ 2,532,941
Net loss	-	-	-	-	-	-	(697,087)		(697,087)
Foreign currency translation adjustment								10,455	$ 10,455
Balance, June 30, 2023	5,000,000	$ 5,000	20,000,000	$ 20,000	$ (25,000)	$ 925,000	$ 1,307,009	$ (385,700)	$ 1,846,309

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

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

	Six Months Ended June 30,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net loss	$ (937,462)	$ (511,621)
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:		
Depreciation and amortization	157,912	220,129
Amortization of debt discounts	-	645,576
Share-based compensation	1,161,596	-
Income from settlement of Convertible Notes	(250,000)	-
Changes in assets and liabilities		
Accounts receivable	82,315	478,162
Other receivables	71,715	31,859
Prepayments	(221,259)	(349,617)
Inventory	(400,363)	(1,388,636)
Prepaid expenses	-	-
Right of use assets	15,510	13,623
Deferred tax asset	-	-
Accounts payable	(149,066)	(547,729)
Accruals and other payables	257,378	380,199
Unearned revenue	468,550	(10)
Payroll payable	24,813	47,159
Taxes payable	(94,521)	(68,582)
Accrued interest	4,066	-
Operating leases	(15,510)	(13,623)
Other assets	-	138
Net cash provided or (used in) operating activities	175,674	(1,062,973)
Cash flows from investing activities		
Purchase of equipment	-	(7,593)
(Payments for) or transfer from construction	(326,829)	-
Net cash used in investing activities	(326,829)	(7,593)
Cash flows from financing activities		
Repayment of bank Loan	(1,218,294)	(294,477)
Repayment of secured borrowing arrangement	(599,664)	-
Settlement of convertible notes	(500,000)	
Amounts received from or related party	1,428,400	355,535
Net cash (used in) provided by financing activities	(889,558)	58,058
Effect of exchange rates on cash	159,585	789,049
Net change in cash and cash equivalents	(881,128)	(223,459)
Cash at beginning of year	1,105,214	251,100
Cash at end of period	$ 224,086	$ 27,641
Supplemental of cash flow information		
Cash paid for interest	$ 101,047	$ 116,638
Cash paid for income taxes	$ 2,799	$ 5,769

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2024 (UNAUDITED) AND
FOR THE YEARS ENDED DECEMBER 31 2023
(In U.S. 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, Benchwich 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 805-50-45-1 through 45-5, the series of restructuring transactions have been accounted for as transactions between entities under common control; accordingly, the Company's historical capital 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 June 30, 2024, the Company had a working capital deficit of $6,367,395 and net cash used in operating activities of $326,829 for the six months ended June 30, 2024. 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 margins where its positive results of operations will allow the Company to continue as going concern. The company's foremost plan is to boost revenue and improve profitability. These financial statements do not include any adjustments that might result from the outcome of this uncertainly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("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.

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 consolidation 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.

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 to manufacturers to ship a small portion of extra product to allow for product quality issues. Also, as 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 period expenses when incurred as the Company is not able to reliably estimate such future expenses.

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.

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 one year or less.

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 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 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 reasonably expect to paid for the product, or in the event where it was paid advance, the Company's performance obligations have been satisfied and those 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 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. $247,844 and $291 were recognized as revenue from unearned revenue during the six months ended June 30, 2024 and 2023.

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 upon 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 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 recognized in the first 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 year 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 the 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, H.R. 748") was signed into law on 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 the 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 and 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 June 30, 2024 and December 31, 2023 due to the recent enactment.

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. 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 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 for the six months ended June 30, 2024. The Company had no uncertain tax position for the six months ended June 30, 2024 and June 30, 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 the 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 dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. 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		
June 30, 2024	RMB7.1268 to $1	HKD7.8085 to $1
June 30, 2023	RMB6.8717 to $1	HKD7.8497 to $1
Income statement and cash flows items		
For the six months ended June 30, 2024	RMB7.1028 to $1	HKD7.8199 to $1
For the six months ended June 30, 2023	RMB6.8476 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 when purchased.

Accounts Receivable, Net

Accounts receivable is stated at the historical carrying amount net of allowance for doubtful accounts. The Company determines the allowance for doubtful accounts on an individual basis taking into consideration various factors 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. The facts and circumstances of each account may require the Company to use judgment in assessing its collectability.

There was no allowance for doubtful accounts recorded as of June 30, 2024 and 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 of the assets.

	Estimated useful lives (years)
Office and computer equipment	3-5
Manufacturing equipment	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 and is recognized in general and administrative expenses in the consolidated statements of comprehensive loss.

Land Use Rights, Net

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	50

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 projected 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 by 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 June 30, 2024 and December 31, 2023.

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 by the weighted average number of shares of common stock outstanding during the period.

	Three Months ended June 30,		Six Months ended June 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
Net loss	(994,696)	(697,088)	$ (937,462)	$ (511,621)
Weighted average number of shares of common stock outstanding - basic	22,912,667	20,000,000	22,142,099 *	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	22,912,667	20,000,000	22,142,099 *	20,000,000 *
Basic and diluted (loss) earnings per share	(0.04)	(0.03)	$ (0.04)*	$ (0.03)*

* Retrospectively restated for the effect of 2-for-1 reverse stock split. (Note 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 must 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 operation 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 are accounted for as cost of revenues.

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 method 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 and 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 discounted cash flow method. The Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

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

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 that 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 a 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 income 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 the 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 terms include periods 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.

Recent Accounting Pronouncements

Accounting Pronouncements Issued But Not Yet Adopted

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, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The Company has evaluated this ASU and expects to add additional disclosures to the consolidated financial 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, statements of operations and cash flows.

3. RESTRICTED CASH

Restricted cash consist of the following:

	June 30, 2024	December 31, 2023
Deposit for Bank acceptance bill	$ 3,748	$ 3,771
Total	$ 3,748	$ 3,771

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following:

	June 30, 2024	December 31, 2023
Gross accounts receivable	$ 2,533,143	$ 2,615,458
Less: allowance for doubtful accounts	-	-
	$ 2,533,143	$ 2,615,458

There was no allowance for doubtful accounts recorded as of June 30, 2024 and December 31, 2023.

5. OTHER RECEIVABLES

Other receivables consist of the following:

	June 30, 2024	December 31, 2023
Deposit and other assets	55,598	127,313
Total	$ 55,598	$ 127,313

6. INVENTORY, NET

Inventories, net, consist of the following:

	June 30, 2024	December 31, 2023
Raw materials and components	$ 141,547	$ 1,654,771
Finished goods	2,904,304	990,717
Total	3,045,851	2,645,488
less: Impairment	-	-
Inventories, net	$ 3,045,851	$ 2,645,488

7. EQUIPMENT, NET

Equipment, net consist of the following:

	June 30, 2024	December 31, 2023
Manufacturing equipment	$ 8,736,521	$ 8,790,918
Office equipment	318,607	319,624
less: Accumulated depreciation	4,527,916	4,386,437
Total	$ 4,365,871	$ 4,724,105

Depreciation expenses charged to the consolidated statements of operations for the years ended June 30, 2024 and December 31, 2023 were $141,479 and $650,103, respectively.

8. LAND USE RIGHTS, NET

	June 30, 2024	December 31, 2023
Land use right	$ 1,136,514	$ 1,143,382
less: Accumulated amortization	123,685	112,400
	$ 1,012,829	$ 1,030,982

The Company has pledged its land use rights at No. 199, Newtag, Wujin District, Changzhou, Jiangsu Province, China, 213000 to Industrial and Commercial Bank of China Limited as a collateral for securing its loans.

9. BANK BORROWINGS

Current

Short-term loans as of June 30, 2024 and December 31, 2023 represents bank borrowings of $4,069,147 and $4,832,479, respectively obtained from financial institutions 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 six months ended June 30, 2024 and 2023 was approximately 4.70% and 5.37%, respectively.

Bank	Loan period	Interest rate	Balance at June 30, 2024	Balance at December 31, 2023
Industrial and Commercial Bank of China	October 24, 2022 - July 17, 2024	4.35%	$ 1,403,154	$ 1,411,891
Industrial and Commercial Bank of China	October 26, 2022 - August 17, 2024	4.35%	1,403,154	1,411,891
Bank of Communications	January 28, 2022 - January 26, 2025	4.35%	-	488,514
Bank of Communications	January 28, 2022 - January 26, 2025	4.35%	-	249,481
Jiangnan Rural Commercial Bank	May 9, 2022 - February 28, 2025	4.79%	378,852	381,211
Jiangnan Rural Commercial Bank	March 24, 2022 - February 28, 2025	4.79%	883,987	889,491
Bank of America	April 28, 2022 - April 30, 2025	Prime rate +0.1%	402,280	857,242
Total			**$ 4,471,427**	**$ 5,689,721**

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

Non-current

Bank	Loan period	Interest rate	Balance at June 30, 2024	Balance at December 31, 2023
EIDL Loan	From June 26, 2020 to June 25, 2050	3.75%	120,519	124,905
Total			$ 120,519	$ 124,905

10. BALANCES WITH RELATED PARTY

1) Related party transactions

For the six months ended June 30, 2024 and 2023, the Company's related party provided working capital to support the Company's operations when needed. The borrowings were unsecured, due on demand, and interest free. The following table summarizes the balances with the Company's related party.

2) Related party balances

Accounts	Name of Related Party	Note	June 30, 2024	December 31, 2023
Amount (due to) from related party	Lin Li, Chief Executive Officer and Chairman of the Board		$ (2,931,343)	$ 302,943

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

11. EQUITY

Preferred Stock

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 100,000,000 shares of preferred stock, par value US$0.001 per 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 of common stock is entitled to one vote and each share 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 with the common stock. Common stock and Series A 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 preference over the Company's Common Stock, and therefore ranks pari passu with the Common Stock in the event of liquidation.

Common Stock

The Company is authorized to issue 400,000,000 shares of common stock with par value of US$0.001 per share. Each share of common stock entitles the holder to one vote. For the sake of comparability, the share structure as of the date of this report has been carried back in the Company's statement of stockholders' equity as if they had been issued and outstanding from the beginning of the first period presented.

12. CONVERTIBLE NOTES

On May 16, 2022, the Company entered into a securities purchase agreement with certain investors, pursuant to which the Company sold the investors convertible notes in an aggregate principal amount of $1,000,000 (the "Convertible Notes") that are convertible into shares of common stock of the Company (the "Conversion Shares") with a 100% warrant coverage to purchase common stock (the "Warrants" and such shares underlying the Warrants, the "Warrant Shares"). In the original agreement, the notes were set to be due on May 16, 2024.
The Company believed that each of the issuance of the convertible notes was exempt from registration 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	Consideration	
Hongyu Wang	May 16, 2022	Convertible Note	US$	500,000
Sam Yan	May 16, 2022	Convertible Note	US$	500,000

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 at any time after the six-month anniversary of the issuance date of the Note or earlier if a Registration Statement covering the conversion shares has been declared effective, at conversion price of $3.50. The interest rate of the Note is 7% per annum.

Terms of Conversion or Exercise: Warrants

On May 16, 2022, the Company granted Warrants to the same investors of the Convertible exercised, in whole or in 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 formula stipulated in the Warrant agreement.

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 Notes and the Warrants based on their relative fair 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 using the Black-Scholes Model, and the relative 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 = $7.00, (2) fair market value of the Company's stock = $10.00, (3) annualized volatility = 10%, (4) annualized dividend = 1.70%, (5) years to expiration = 5 years, and (6) risk free rate = 3.789%. Management determined that convertible note contained a beneficial conversion feature ("BCF") and recognized a discounted 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 balance was recorded as an increase to additional paid in capital.

On April 27, 2023, the Company signed amendment agreements with the investors to modify the due date of the Convertible Notes to the earlier of July 12, 2023 or the six months anniversary of the completion of the Company's Initial Public Offering. On October 19, 2023, the Company signed settlement agreements with the investors to settle the Convertible Notes for $1,950,000 with two installments by 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, and settled the arrangement for $250,000 each investor, totaling $500,000, besides an aggregate of $1,200,000 paid by the Company in 2023. The difference between the final settlement amount of $1,700,000 and the amount in the amendment agreements of $1,950,000 was recognized as other income in the second quarter of 2024.

Convertible Notes		June 30, 2024
Convertible Notes – Face Value	$	-
Discount – Placement agent commissions – cash		-
Discount – Placement agent commissions – warrants		-
Discount – Detachable warrants		-
Discount – Beneficial conversion feature		-
	$	

13. INCOME TAXES

United States of America

The Coronavirus Aid, Relief and Economy Security (CARES) Act ("the CARES Act, H.R. 748") was signed into law on March 27, 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 carrybacks for the 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 and 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 June 30, 2024 and December 31, 2023 due to the recent enactment.

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 2018/2019. Under the two-tier profit tax rates 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 assessable profits will be subject to the legacy tax 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) one of them has control over the other; (2) both of them 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-the other entity is the same person carrying on another sole proprietorship business. 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 nominate the entity that will 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. All the PRC subsidiaries that are not entitled to any tax holiday were subject to income tax at a rate of 25% for the six months ended June 30, 2024 and 2023. According to PRC tax regulations, the PRC net 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. If not utilized, the PRC net operating loss will expire in 2026.

The income tax expense was $2,799 and $5,769 for the six months ended June 30, 2024 and 2023, respectively, related primarily to the Company's subsidiaries located outside of the U.S. The income before provision for income taxes for the six months ended June 30, 2024 and 2023 was as follows:

The income tax provision consists of the following components:

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Current:	-	-
Federal	$ -	$ -
State	933	5,380
Foreign	1,866	389
Total current	$ 2,799	$ 5,769
Deferred:	-	
Federal	$ -	$ -
State	-	-
Foreign	-	-
Total deferred	$ -	$ -
Total income tax expense	$ 2,799	$ 5,769

A reconciliation between the Company's actual provision for income taxes and the provision at the United States statutory rate is as follow:

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Loss before income tax expense	$ (934,663)	$ (505,852)
Computed tax benefit with statutory tax rate	29.84%	29.84%
Income tax expense computed at statutory income tax rate	(278,903)	(150,946)
Impact of different tax rates in other jurisdictions	236,117	(101,609)
Tax effect of non-deductible expenses	45,585	258,326
Total income tax expense	$ 2,799	$ 5,769

The effective tax rate were -0.17% and -2.8% for the six months ended June 30, 2024 and 2023, respectively.

Uncertain tax positions

The Company did not have any uncertain tax positions during the six months ended June 30, 2024 and 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 respective jurisdictions, where applicable. The statute 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 consolidated financial statements as of December 31, 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 of $nil as of June 30, 2024 and 2023, 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 on which it was filed, whichever is later.

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 the case of potential willful underpayment or 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 and interest for PRC entities' tax filings. In the case of 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 based on the above.

14. 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 employees. Chinese labor regulations require 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 is responsible for meeting all retirement benefit obligations; the Company has no further commitments beyond their monthly contributions. For the six months ended June 30, 2024 and 2023, the Company contributed a total of $32,594 and $38,952, respectively, to these funds.

15. 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 meters. The Company's leases have remaining terms of approximately 37 months for a lease term commencing on August 1, 2020 and ended on August 31, 2023. The lease was renewed for additional 36 months. 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 does not separate 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 lease component as a single lease component for all underlying asset classes.

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

Assets/liabilities	**June 30, 2024**	**December 31, 2023**
Assets		
Operating lease right-of-use assets	$ 71,870	$ 87,380
Liabilities		
Operating lease liability - current	$ 32,207	$ 31,413
Operating lease liability - non-current	39,663	55,967
Total lease liabilities	$ 71,870	$ 87,380

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

	For the six months ended June 30, 2024	**For the six months Ended June 30, 2023**
Cash paid for amounts included in the measurement of operating lease liabilities	$ 17,534	$ 13,938
Right-of-use assets obtained in exchange for new lease obligations:	-	-

The operating lease expenses for the six months ended June 30, 2024 and 2023 were as follows:

Lease Cost	Classification	For the three months ended June 30, 2024	For the three months ended June 30, 2023
Operating lease expense	General and administrative expenses	$ 17,534	$ 13,938

Maturities of operating lease liabilities as of June 30, 2024 were as follows:

Maturity of Lease Liabilities	Operating Leases
Within one year	17,534
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	$ 75,982
Less: interest	(4,113)
Present value of lease payments	$ 71,870

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

Lease Term and Discount Rate	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (years)		
Operating leases	2.42	2.92
Weighted-average discount rate (%)		
Operating leases	5%	5%

16. CONCENTRATIONS AND CREDIT RISK

(a) *Concentrations*

During the six months ended June 30, 2024, three customers accounted for nearly 73% of the Company's revenues. During the six months ended June 30, 2023, one customers accounted for 82% of the Company's revenues. No other customer accounts for more than 10% of the Company's revenue in the six months ended June 30, 2024 and 2023.

As of June 30, 2024, five customers accounted for 84% of the Company's accounts receivable. As of December 31, 2023, five customers accounted for 72% of the Company's accounts receivable. No other customer accounts for more than 10% of the Company's accounts receivable for the six months ended June 30, 2024 and for the year ended December 31, 2023.

During the six months ended June 30, 2024, no supplier accounts for over 10% of the Company's cost of revenues. During the six months ended June 30, 2023, five suppliers accounted for a total of 71% of the Company's cost of revenues. No other supplier accounts for over 10% of the Company's cost of revenues.

As of June 30, 2024, no supplier accounted for over 10% of the Company's accounts payable. As of December 31, 2023, no supplier accounted for 20% of the Company's accounts payable.

(b) *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. As of June 30, 2024 and December 31, 2023, substantially all of 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 in the United States up to $250,000 are insured by the Federal Depository 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. Historically, such losses have been within management's expectations.

17. 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 second phase of the factory will be approximately 250,000 square feet.

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 shares issued and outstanding were automatically 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 share and per share data gives retroactive effect to 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 total number of outstanding preferred shares immediately before the reverse split was 10,000,000 and immediately after the reverse split was 5,000,000.

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 secured by its accounts receivable amounted $1,491,000.

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. This borrowing was fully repaid in May 2024.

20. SHARE-BASED COMPENSATION

On April 18, 2024, the Company issued 450,000 shares of common stock to each of two employees, On April 22, 2024, the Company issued 480,000 shares of common stock to each of two employees, On June 24, 2024, the Company issued 500,000 shares of common stock to each of two employees. None of these six employees are the Company's officers. In connection of the issuance, the Company recognized $1,161,596 compensation expense.

21. SUBSEQUENT EVENT

The Company has analyzed its operations subsequent to December 31, 2023 and up through August 14, 2024 which is the date these consolidation financial statements were issued, except as disclosed herein, there is no any material subsequent events to disclose in these consolidated financial statements.

22. UNRESTRICTED NET ASSETS

The following presents condensed financial information of Northann Corp:

Condensed Financial Information on Financial Position

	As of June 30, 2024 (Unaudited)	As of December 31, 2023
Cash	119	370
Amounts due from subsidiaries	4,577,188	5,504,920
Total current assets	4,577,307	5,505,290
Interests in a subsidiary	8,562,799	9,948,890
Total Assets	13,140,106	15,454,180
Liabilities and Stockholders' Deficit		
All other current liabilities	71,169	599,664
Amounts due to subsidiaries	10,149,940	10,660,508
Total current liabilities	10,221,109	11,260,172
Non-current liabilities	1,950,000	1,950,000
Total Liabilities	12,171,109	13,210,172
Stockholders' Equity (Deficit)		
Preferred stock – Series A, $0.001 par value, 100,000,000 shares authorized, 20,000,000 shares designated, 10,000,000 and 5,000,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023*	10,000	5,000
Common stock, $0.001 par value, 400,000,000 shares authorized, 24,240,000 and 21,380,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023*	24,240	21,380
Subscription receivable	(30,000)	(25,000)
Additional Paid-in Capital	7,829,752	6,671,016
Accumulated deficit	(6,251,405)	(3,652,547)
Accumulated other comprehensive income (loss)	(613,590)	(775,841)
Total Stockholders' Equity (Deficit)	968,997	2,244,008
Total Liabilities and Stockholders' Deficit	13,140,106	15,454,180

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

Condensed Financial Information on Results of Operations

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
	(Unaudited)	
Revenue	-	-
Cost or revenues	-	-
Operating expenses	1,598,981	934,973
Income taxes	933	-
Loss – Parent only	(1,599,915)	(934,973)
Income – Subsidiaries with unrestricted net assets	662,163	670,492
Income(loss) – Subsidiaries with restricted net assets	290	(247,140)
Net loss – Consolidated	(937,462)	(511,621)

Condensed Financial Information on Cash Flows

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
	(Unaudited)	
Cash from operating activities	(251)	291
Cash used in investing activities	-	-
Cash from financing activities	-	-
Effect of exchange rates on cash	-	-
Net cash flows	(251)	290
Beginning cash balance	370	224
Ending cash balance	119	514

(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 and notes thereto. The condensed financial information is presented as if the incorporation of the Company were in effect since January 1, 2020, and throughout the four years ended December 31, 2024.

(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 25 percent of consolidated net assets as of 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 proportionate share of net assets of consolidated subsidiaries (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 loans, advances or cash dividends without the consent of 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 Company's subsidiaries located in the US 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 assets to the Company may be restricted due to the foreign exchange control policies and availability of cash balances of the Chinese operating subsidiaries.

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

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

The following discussion and analysis of the financial condition and results of operations of Northann Corp. and its subsidiaries (collectively, the "Company," "we," "our," "us," or "Northann") should be read in conjunction with the financial statements included elsewhere in this Quarterly Report and the audited financial statements for the year ended December 31, 2023, included in our Annual Report on Form 10-K. This Quarterly Report contains, in addition to unaudited historical information, forward-looking statements, which involve risk and uncertainties. The words "believe," "expect," "estimate," "may," "will," "could," "plan," or "continue," and similar expressions are intended to identify forward-looking statements. Our actual results could differ materially from those anticipated in such forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, those discussed under the headings "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and this Quarterly Report on Form 10-Q, if any. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to (and we expressly disclaim any obligation to) revise or update any forward-looking statement, whether as a result of new information, subsequent events, or otherwise (except as may be required by law), in order to reflect any event or circumstance which may arise after the date of this Quarterly Report on Form 10-Q. Amounts presented are in thousands, except per share data.

US Dollars are denoted herein by "USD", "$" and "dollars"

Results of Operations

Comparison for the three months Ended June 30, 2024 and 2023

The following table sets forth key components of our results of operations for the three months ended June 30, 2024 and 2023, both in dollars and as a percentage of our revenues.

	Three Months Ended June 30,			
	2024		2023	
	Amount	of Revenue	Amount	of Revenue
Revenues	3,888,893	100.00%	4,541,690	100.00%
Cost of revenues	2,988,266	76.84%	3,638,926	80.12%
Gross profit	900,627	23.00%	902,764	20.00%
Operating expenses				
Selling expenses	187,062	4.81%	146,945	3.24%
General and administrative expenses	1,461,225	37.57%	384,199	8.46%
Research and development expenses	419,588	10.79%	210,104	4.63%
Finance Cost	-	-	-	-%
Income from operations	(1,167,248)	(30.01)%	161,516	3.56%
Other Income (expenses)				
Interest expense	(77,696)	(2.00)%	(330,720)	(7.28)%
Amortization of debt discounts	-	-%	(522,288)	(11.50)%
Extinguishment loss	-	-%	-	-%
Other income	250,248	6.43%	394	0.01%
Other expenses	-	-%	-	-%
Exchange loss	-	-%	(5,600)	(0.12)%
Net Income before taxes	(994,696)	(25.58)%	(696,698)	(15.34)%
Income tax (expenses)	(2,799)	(0.07)%	(389)	(0.01)%
Net loss	(997,495)	(25.65)%	(697,087)	(15.35)%
Other comprehensive income				
Foreign currency translation adjustment	92,549	2.38%	10,455	(0.23)%
Total comprehensive loss	(904,946)	(23.27)%	(686,632)	(15.12)%

Revenues. Our Revenues decreased by 14.4% or $652,797 to $3,888,893 for the three months ended June 30, 2024 from $4,541,690 for the three months ended June 30, 2023, which was primarily due to slowdown in economy and decrease in customer demand.

Cost of revenues. Our Cost of revenues decreased by 17.9% or $650,660 to $2,988,266 for the three months ended June 30, 2024 from $3,638,926 for the three months ended June 30, 2023, which was primarily due to decrease in revenue

Gross profit and gross margin. Our Gross profit decreased by 0.2% or $2,137 to $900,627 for the three months ended June 30, 2024 from $902,764 for the three months ended June 30, 2023;Our gross margin was $23% for the three months ended June 30, 2024, kept relatively stable from the gross margin of 20% for the three months ended June 30, 2023.

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 increased by 27.3% or $40,117 to $187,062 for the three months ended June 30, 2024 from $146,945 for the three months ended June 30, 2023, which was mainly because we increased expending the advertisement.

	Three Months ended June 30,					
	2024		2023		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	%
Salaries and Social Insurance	76,982	41.15%	74,094	50.42%	2,888	3.90%
Freight insurance	22,950	12.27%	3,616	2.46%	19,334	5.35%
Rent	15,770	8.43%	9,740	6.63%	6,030	0.62%
Advertising fee	44,662	23.88%	8,854	6.03%	35,808	4.04%
Travel fee	26,698	14.27%	50,642	34.46%	(23,944)	(47.28)%
Others	-	0.00%	(1)	0.00%	1	(100.00)%
Total selling expenses	**187,062**	100.00%	**146,945**	100.00%	40,117	0.27%

General and administrative expenses. As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, finance and administrative staff, professional fees and other expenses incurred in connection with general operations. Our General and administrative expenses increased by 280.3% or $1,077,026 to $1,461,225 for the three months ended June 30, 2024 from $384,199 for the three months ended June 30, 2023, which was primarily because during the second quarter of 2024, we issued 2,860,000 shares of common stock to six of our non-officer employees which resulted in compensation expense of $1,161,596, and we incurred more service fees in order to comply with our public company status.

	Three Months ended June 30,					
	2024		2023		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	%
Salary and Social Insurance	1,19,424	82.08%	31,920	8.31%	1,167,504	3,657.59%
Service fees	123,226	8.43%	211,529	55.06%	(88,303)	(41.75)%
Royalty fee	6,034	0.41%	5,645	1.47%	389	6.89%
Entertainment expenses	12,769	0.87%	22,025	5.73%	(9,256)	(42.02)%
Taxation	19,664	1.35%	20,548	5.35%	(884)	(4.30)%
Depreciation and amortization	23,959	1.64%	34,153	8.89%	(10,194)	(29.85)%
Bad debt	-	-%	-	0.00%	-	0.00%
Rent	8,659	0.59%	9,045	2.35%	(386)	(4.27)%
Travel fee	11,729	0.80%	5,068	1.32%	6,661	131.43%
Office expenses	35,242	2.41%	22,928	5.97%	12,314	53.71%
Other	20,519	1.40%	21,338	5.55%	(819)	(3.84)%
Total general and administrative expenses	1,461,225	100.00%	384,199	100.00%	1,077,026	280.33%

Research and development expenses. Our Research and development expenses increased by 99.7% or $209,484 to $419,588 for the three months ended June 30, 2024 from $210,104 for the three months ended June 30, 2023.. The increase was primarily because we carried out more research and development in new material and products..

Other income We recognized other income of $250,000 as the result of final settlement of the Convertible Notes in the second quarter of 2024, while there was no such income in the same period of 2023.

Income tax expense. Our Income tax expense was $2,799 for the three months ended June 30, 2024 and $5,769 for the three months ended June 30, 2023, which was incurred by our profit making entities in China and the US.

Net loss. As a result of the cumulative effect of the factors described above, our net loss was $997,495 for the three months ended June 30, 2024 and $697,087 for the three months ended June 30, 2023. The decrease was primarily due to the share based compensation recognized in the period

Comparison for the six months Ended June 30, 2024 and 2023

The following table sets forth key components of our results of operations for the six months ended June 30, 2024 and 2023, both in dollars and as a percentage of our revenues.

	Six Months Ended June 30,			
	2024		2023	
	Amount	of Revenue	Amount	of Revenue
Revenues	8,484,424	100.00%	7,276,623	100.00%
Cost of revenues	6,039,807	71.19%	5,123,917	70.42%
Gross profit	2,444,617	29.00%	2,152,706	29.58%
Operating expenses				
Selling expenses	405,437	4.78%	345,436	4.75%
General and administrative expenses	1,946,262	22.94%	739,326	10.16%
Research and development expenses	932,185	10.99%	510,315	7.01%
Finance Cost	-	-	-	-
Income from operations	(839,267)	(9.89)%	557,629	7.66%

Other Income (expenses)				
Interest expense	(345,644)	(4.07)%	(418,457)	(5.75)%
Amortization of debt discounts	-	-%	(645,576)	(8.87)%
Extinguishment loss	-	-%		-%
Other income	250,248	2.95%	552	0.01%
Other expenses	-	-%	-	-%
Exchange loss	-	-%	-	-%
Net loss before taxes	(934,663)	(11.02)%	(505,852)	(6.95)%
Income tax (expenses)	(2,799)	(0.03)%	(5,769)	(0.08)%
Net loss	(937,462)	(11.05)%	(511,621)	(7.03)%
Other comprehensive income				
Foreign currency translation adjustment	162,251	1.91%	384,191	5.28%
Total comprehensive loss	(775,211)	(9.14)%	(127,430)	(1.75)%

Revenues. Our Revenues increased by 16.6% or $1,207,801 to $8,484,424 for the six months ended June 30, 2024 from $7,276,623 for the six months ended June 30, 2023. The increase was mainly due to sales orders increased as a result of our marketing effort and increased customer demand.

Cost of revenues. Our Cost of revenues increased by 17.9% or $915,890 to $6,039,807 for the six months ended June 30, 2024 from $5,123,917 for the six months ended June 30, 2023. Cost of revenues refers to the cost of material and labor cost; the percentage of direct material was over 90% of the total cost of revenues. The increase of cost of revenues compared to the six months ended June 30, 2023 was in line of the increase in revenue.

Gross profit and gross margin. Our gross profit increased by 13.6% or $291,911 to $2,444,617 for the six months ended June 30, 2024 from $2,152,706 for the six months ended June 30, 2023 due to increase in revenue. Our gross margin decreased to $29% for the six months ended June 30, 2024 from $30% for the six months ended June 30, 2023. The gross margin kept relatively stable.

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 increased by 17.4% or $60,001 to $405,437 for the six months ended June 30, 2024 from $345,436 for the six months ended June 30, 2023, which was primarily because we increased spending in advertisement in order to boost sales. Freight insurance increased in line with increase in revenue

	Six Months ended June 30,					
	2024		2023		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	%
Salaries and Social Insurance	160,113	39.49%	166,378	48.16%	(6,265)	(3.77)%
Freight insurance	41,190	10.16%	21,902	6.34%	19,288	0.88%
Rent	27,694	6.83%	16,367	4.74%	11,327	0.69%
Advertising fee	122,505	30.22%	40,562	11.74%	81,943	2.02%
Travel fee	53,935	13.30%	100,185	29.00%	(46,250)	(46.16)%
Others	-	0.00%	42	0.01%	(42)	(100.00)%
Total selling expenses	**405,437**	100.00%	**345,436**	100.00%	60,001	0.17%

General and administrative expenses. As shown below, our general and administrative expenses consist primarily of compensation and benefits to our general management, finance and administrative staff, professional fees and other expenses incurred in connection with general operations. Our General and administrative expenses increased by 163.3% or $1,206,936 to $1,946,262 for the six months ended June 30, 2024 from $739,326 for the six months ended June 30, 2023. The increase was mainly because during the second quarter of 2024, we issued 2,860,000 shares of common stock to six of our non-office employees which resulted in compensation expense of $1,161,596, and we incurred more service fees in order to comply with our public company status.

	Six Months ended June 30,					
	2024		2023		Fluctuation	
	Amount	Proportion	Amount	Proportion	Amount	%
Salary and Social Insurance	1,241,007	63.76%	76,411	10.34%	1,164,596	1,524.12%
Service fees	409,507	21.04%	367,119	49.66%	42,388	11.55%
Royalty fee	11,854	0.61%	12,547	1.70%	(693)	(5.52)%
Entertainment expenses	33,697	1.73%	37,555	5.08%	(3,858)	(10.27)%
Taxation	19,675	1.01%	20,548	2.78%	(873)	(4.25)%
Depreciation and amortization	48,592	2.50%	69,128	9.35%	(20,536)	(29.71)%
Bad debt	-	0.00%	-	0.00%	-	0.00%
Rent	17,613	0.90%	20,422	2.76%	(2,809)	(13.75)%
Travel fee	31,418	1.61%	33,734	4.56%	(2,316)	(6.87)%
Office expenses	70,612	3.63%	48,136	6.51%	22,476	46.69%
Other	62,287	3.20%	53,726	7.27%	8,561	15.93%
Total general and administrative expenses	1,946,262	100.00%	739,326	100.00%	1,206,936	163.25%

Research and development expenses. Our Research and development expenses increased by 82.7% or $421,870 to $932,185 for the six months ended June 30, 2024 from $510,315 for the six months ended June 30, 2023, because we carried out research and development activities for new material and products in 2024.

Other income We recognized other income of $250,000 as the result of final settlement of the Convertible Notes in the second quarter of 2024, while there was no such income in the same period of 2023.

Income tax expense. Our Income tax expense was $2,799 for the six months ended June 30, 2024 and $5,769 for the six months ended June 30, 2023. The income tax expense was incurred by our profit making entities in China and the US.

Net loss. As a result of the cumulative effect of the factors described above, our net loss was $937,462 for the six months ended June 30, 2024 and $511,621 for the six months ended June 30, 2023. The increase in net loss was primarily due to the share based compensation recognized during the six months ended June 30, 2024.

Liquidity and Capital Resources

As of June 30, 2024 and December 31, 2023, we had cash of $220,338, and $1,101,443, respectively. To date, we have financed our operations primarily through our business operations, borrowings from our stockholders, related and unrelated parties, and proceeds from IPO.

The Company believes that its current levels of cash and cash flows from operations will be sufficient to meet its anticipated cash needs for at least the next twelve months. However, it may need additional cash resources in the future if it finds and wishes to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If it determines that its cash requirements exceed its amounts of cash on hand or if it decides to further optimize its capital structure, it may seek to issue additional debt or equity securities or obtain credit facilities or other sources of funding.

The following table set forth a summary of our cash flows for the periods indicated:

	For the six Months Ended June 30,	
	2024	2023
Net cash provided by (used in) operating activities	$ 175,674	$ (1,062,973)
Net cash used in investing activities	$ (326,829)	$ (7,593)
Net cash (used in) provided by financing activities	$ (889,558)	$ 58,058

Operating Activities

Net cash provided by operating activities was $175,674 for the six months ended June 30, 2024, as compared to $1,062,973 net cash used in operating activities for the six months ended June 30, 2023.

The net cash provided by operating activities for the six months ended June 30, 2024 mainly included net loss of $937,462, adjusted by share based compensation of $1,161,596 and other income of $250,000 resulting from the final settlement of the Convertible Notes, and increased in inventories of $400,363, increase in prepayment of $221,259, and partially offset by increase in unearned revenue of $468,550 and minor change of other accounts. The net cash used in operating activities for the six months ended June 30, 2023 mainly included net loss of $511,621, adjusted by non-cash item of amortization of debt discounts amounting $645,576, an increase in inventories of $1,388,636, increase in prepayment of 349,617, an decrease in accounts payable of $547,729, and partially offset by an decrease in account receivable of $478,162.

Investing Activities

Net cash used in investing activities was $326,829 for the six months ended June 30, 2024, as compared to $7,593 net cash used in investing activities for the six months ended June 30, 2023. The net cash used in investing activities for the six months ended June 30, 2024 mainly included the payments for construction in progress. The net cash used in investing activities for the six months ended June 30, 2023 mainly consisted of purchase of property and equipment .

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2024 was $889,558, as compared to net cash provided by financing activities of $58,058 for the six months ended June 30, 2023. The change was mainly due to the borrowing amounting $1,428,400 from a related party of our Company, repayment of borrowings totaling $1,220,487 and the payment of $500,000 to settle the Convertible Notes during the six months ended June 30, 2024.

Contractual Obligations

The Company’s subsidiary NDC has an operating lease primarily for its corporate office and equipment. The lease contract was within six years and the renewal was at landlord’s discretion.

Operating lease expenses were $17,534 and $13,938 for the six months ended June 30, 2024 and 2023, respectively.

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 executive officer) and Interim Chief Financial 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 Rules 13a-15 and 15d-15. Based upon that 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 (as defined in § 240.13a-15(e) or 240.15d-15(e) of Regulation S-K) 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 and communicated to management, including the Company’s Chief Executive Officer and Interim Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

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, such 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.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

As previously disclosed, on May 16, 2022, Northann Corp. (the "Company") entered into a securities purchase agreement with Sam Yan and Hongyu Wang (collectively, the "Investors"), pursuant to which the Company sold the Investors convertible notes in an aggregate principal amount of $1,000,000 (the "Convertible Notes") that are convertible into shares of common stock of the Company with a 100% warrant coverage to purchase common stock (the "Warrants"). On May 3, 2024, the Company signed final settlement agreements with the Investors of the Convertible Notes and Warrants (together, the "Final Settlement Agreements") to settle the balances of the Convertible Notes and Warrants for $250,000 for each of the Investors, totaling $500,000, besides an aggregate of $1,200,000 paid by the Company in 2023.

On May 24, 2024, in accordance with the Final Settlement Agreements, the Company paid the settlement sum of $250,000 to each Investor, and each of the Investors executed a Release of Security Interests evidencing and effecting the release, relinquishment, and discharge of certain security interests, including certain UCC financing statements as referenced therein.

In light of the above, the Convertible Notes and the Warrants are terminated in full and rendered null and void.

Item 6. Exhibits

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

Exhibit No.	Description
31.1*	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
31.2*	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
32.1**	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
32.2**	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
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 of the Exchange Act of 1934, as amended, and is not 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 SEC.

† Exhibits and schedules to this Exhibit have been omitted pursuant to Regulation S-K Item 601(a)(5). The Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

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: August 14, 2024	By: /s/ Lin Li Name: Lin Li Title: Chief Executive Officer (Principal Executive Officer)
Date: August 14, 2024	By: /s/ Sunny S. Prasad Name: Sunny S. Prasad Title: Interim Chief Financial Officer (Principal Accounting and Financial Officer)

Exhibit 31.1

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 June 30, 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 under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and 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)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known 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, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 14, 2024

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

Exhibit 31.2

**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, Sunny S. Prasad, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 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 under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and 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)) for the registrant and internal control 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 relating to the registrant, is made known 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, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 14, 2024

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

Exhibit 32.1

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

In connection with the Quarterly Report of Northann Corp. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), 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: August 14, 2024

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

Exhibit 32.2

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 June 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, 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, 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: August 14, 2024

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