

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

FORM 10-Q

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

For The Quarterly Period Ended March 31, 2024

or

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

For the transition period from _____ to _____

Commission File Number 001-41835

AGAPE ATP CORPORATION

(Exact name of registrant issuer as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

36-4838886

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

1705 - 1708, Level 17, Tower 2, Faber Tower, Jalan Desa Bahagia,
Taman Desa, 58100 Kuala Lumpur, Malaysia.

(Address of principal executive offices, including zip code)

Registrant's phone number, including area code (60) 192230099

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

Common Stock, \$0.0001 par value
(Title of Class)

Nasdaq Capital Market
(Name of exchange on which registered)

ATPC
(Ticker Symbol)

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: None

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding twelve months (or shorter period that the registrant was required to submit and post 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 10, 2024
Common Stock, \$0.0001 par value	76,966,712

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PART I FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

AGAPE ATP CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

	As of	
	March 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Included \$118 and \$122 in the consolidated VIE that can be used only to settle obligations of the consolidated VIE as of March 31, 2024 and December 31, 2023, respectively.)	\$ 3,580,526	\$ 4,832,460
Accounts receivable, net	37,660	55,458
Other receivable	424	435
Amount due from related parties	5,094	11,093
Inventories	56,881	47,907
Prepaid taxes (Included \$1,624 and \$1,670 in the consolidated VIE that can be used only to settle obligations of the consolidated VIE as of March 31, 2024 and December 31, 2023, respectively.)	24,195	21,993
Prepayments and deposits (Included \$39 and \$7 in the consolidated VIE that can be used only to settle obligations of the consolidated VIE as of March 31, 2024 and December 31, 2023, respectively.)	568,043	215,806
Total Current Assets	<u>4,272,823</u>	<u>5,185,152</u>
NON-CURRENT ASSETS		
Property and equipment, net	63,080	77,858
Intangible assets, net	15,799	17,458
Finance lease assets	79,698	86,335
Operating right-of-use assets	314,390	357,301
Investment in marketable securities	21,306	20,171
Deferred tax assets	-	219
Total Non-Current Assets	<u>494,273</u>	<u>559,342</u>
TOTAL ASSETS	\$ 4,767,096	\$ 5,744,494
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 43,972	\$ 55,585
Accounts payable – related parties	14,131	34,848
Customer deposits	98,263	101,575
Operating lease liabilities, current	137,134	138,548
Other payables and accrued liabilities (\$1,128 and \$899 are included in the consolidated VIE that are without recourse to the credit of Agape ATP Corporation as of March 31, 2024 and December 31, 2023, respectively.)	535,254	726,061

Other payable – related parties (\$42 and \$0 are included in the consolidated VIE that are without recourse to the credit of Agape ATP Corporation as of March 31, 2024 and December 31, 2023, respectively.)	837	7,846
Finance lease liabilities, current	8,055	7,075
Income tax payable	6,647	-
Total Current Liabilities	844,293	1,071,538
NON-CURRENT LIABILITIES		
Operating lease liabilities, non-current	\$ 178,391	\$ 219,530
Finance lease liabilities, non-current	68,496	72,563
Total Non-current Liabilities	246,887	292,093
TOTAL LIABILITIES	\$ 1,091,180	\$ 1,363,631
COMMITMENTS AND CONTINGENCIES (Note 19)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.0001 par value; 200,000,000 shares authorized; None issued and outstanding	-	-
Common Stock, par value \$0.0001; 1,000,000,000 shares authorized, 76,966,712 and 77,102,012 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.	7,697	7,711
Additional paid in capital	11,378,743	11,378,743
Treasury Stock, par value \$0.0001; 0 and 135,300 shares as of March 31, 2024 and December 31, 2023, respectively.	-	(14)
Accumulated deficit	(7,757,278)	(7,047,571)
Accumulated other comprehensive income	28,664	30,215
TOTAL AGAPE ATP CORPORATION STOCKHOLDERS' EQUITY	3,657,826	4,369,084
NON-CONTROLLING INTERESTS	18,090	11,779
TOTAL EQUITY	3,675,916	4,380,863
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,767,096	\$ 5,744,494

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

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AGAPE ATP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

	For the three months ended March 31,	
	2024	2023
REVENUE	\$ 318,643	\$ 380,767
COST OF REVENUE	(115,223)	(128,359)
GROSS PROFIT	203,420	252,408
SELLING COMMISSION	(50,348)	(76,098)
GENERAL AND ADMINISTRATIVE	(9,344)	(33,942)
TOTAL OPERATING EXPENSES	(867,266)	(596,253)
LOSS FROM OPERATIONS	(926,958)	(706,293)
LOSS FROM OPERATIONS	(723,538)	(453,885)
OTHER INCOME (EXPENSES)		
Other income, net	4,142	8,366
Interest income	22,809	3,183
Unrealized holding gain on marketable securities	1,173	4,920
Exchange loss, net	(842)	(876)
TOTAL OTHER INCOME (EXPENSES), NET	27,282	15,593
LOSS BEFORE INCOME TAXES	(696,256)	(438,292)
INCOME TAX EXPENSE (CREDIT)	(6,838)	4,217
NET LOSS	(703,094)	(434,075)
LESS: NET (LOSS) INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	6,613	(8,235)
NET LOSS ATTRIBUTABLE TO AGAPE ATP CORPORATION	\$ (709,707)	\$ (425,840)

NET LOSS	\$ (703,094)	\$ (434,075)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	(1,551)	2,077
TOTAL COMPREHENSIVE LOSS	(704,645)	(431,998)
Less: Comprehensive (loss) income attributable to non-controlling interests	6,311	(8,219)
COMPREHENSIVE LOSS ATTRIBUTABLE TO AGAPE ATP CORPORATION	\$ (710,956)	\$ (423,779)
LOSS PER SHARE		
Basic and diluted	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic and diluted	76,966,712	75,452,012

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

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AGAPE ATP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

	COMMON STOCK		TREASURY STOCK		ADDITIONAL PAID IN CAPITAL		ACCUMULATED OTHER DEFICIT		ACCUMULATED OTHER COMPREHENSIVE INCOME		NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY
	Number of shares	Par value	Number of shares	Par value	PAID IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY		
Balance as of December 31, 2022	75,452,012	\$ 7,545	-	\$ -	\$ 6,470,716	\$ (4,945,586)	\$ 9,266	\$ 20,513	\$ 1,562,454			
Net loss	-	-	-	-	-	(425,840)	-	(8,235)	(434,075)			
Foreign currency translation adjustment	-	-	-	-	-	-	-	2,077	17	2,094		
Balance as of March 31, 2023	75,452,012	\$ 7,545	-	\$ -	\$ 6,470,716	\$ (5,371,426)	\$ 11,343	\$ 12,295	\$ 1,130,473			
	COMMON STOCK		TREASURY STOCK		ADDITIONAL PAID IN CAPITAL		ACCUMULATED OTHER DEFICIT		ACCUMULATED OTHER COMPREHENSIVE INCOME		NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY
	Number of shares	Par value	Number of shares	Par value	PAID IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY		
Balance as of December 31, 2023	77,102,012	\$ 7,711	(135,300)	\$ (14)	\$ 11,378,743	\$ (7,047,571)	\$ 30,215	\$ 11,779	\$ 4,380,863			
Redemption of shares	(135,300)	(14)	135,300	14	-	-	-	-	-	-		
Net loss	-	-	-	-	-	(709,707)	-	-	6,613	(703,094)		
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,551)	(302)	(1,853)		
Balance as of March 31, 2024	76,966,712	\$ 7,697	-	\$ -	\$ 11,378,743	\$ (7,757,278)	\$ 28,664	\$ 18,090	\$ 3,675,916			

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

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AGAPE ATP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"))

	For the three months ended	
	March 31,	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (703,094)	\$ (434,075)
Adjustments to reconcile net loss to net cash used in operating activities:		

Depreciation of property and equipment	12,603	19,841
Amortization of intangible assets	1,176	1,581
Amortization of finance lease assets	4,256	-
Amortization of operating right-of-use assets	33,007	39,672
Unrealized holding gain on marketable securities	(1,173)	(4,920)
Deferred tax (benefit) provision	212	(4,217)
Changes in operating assets and liabilities:		
Accounts receivables	16,227	(1,211)
Amount due from related parties	5,677	9,595
Inventories	(10,246)	1,007
Prepaid taxes	(2,797)	254,128
Prepayments and deposits	(354,839)	23,584
Accounts payable	(10,057)	16,484
Accounts payable – related parties	(19,700)	(5,054)
Customer deposits	(526)	(18,176)
Operating lease liabilities	(32,630)	(40,399)
Other payables and accrued liabilities	(181,410)	(125,763)
Other payable – related parties	(6,772)	(4,632)
Income tax payable	6,626	-
Net cash used in operating activities	(1,243,460)	(272,555)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(38,768)
Net cash used in investing activities	-	(38,768)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of finance lease liabilities	(899)	-
Deferred offering costs	-	(6,961)
Net cash used in financing activities	(899)	(6,961)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(7,575)	(213)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,251,934)	(318,497)
CASH AND CASH EQUIVALENTS, beginning of period	4,832,460	1,438,430
CASH AND CASH EQUIVALENTS, end of period	\$ 3,580,526	\$ 1,119,933
SUPPLEMENTAL CASH FLOWS INFORMATION		
Income taxes paid	\$ 2,797	\$ 10,661
Refund of prepaid taxes	-	244,689

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

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

1. ORGANIZATION AND BUSINESS BACKGROUND

Agape ATP Corporation, a Nevada corporation ("the Company") was incorporated under the laws of the State of Nevada on June 1, 2016.

Agape ATP Corporation operates through its subsidiaries, namely, Agape ATP Corporation ("AATP LB"), a company incorporated in Labuan, Malaysia, and Agape Superior Living Sdn. Bhd. ("ASL"), a company incorporated in Malaysia.

Agape ATP Corporation, incorporated in Labuan, Malaysia, is an investment holding company with 100% equity interest in Agape ATP International Holding Limited ("AATP HK"), a company incorporated in Hong Kong.

On May 8, 2020, the Company entered into a Share Exchange Agreement with Mr. How Kok Choong, CEO and director of the Company to acquire 9,590,596 ordinary shares, no par value, equivalent to approximately 99.99% of the equity interest in Agape Superior Living Sdn. Bhd., a network marketing entity incorporated in Malaysia.

Agape Superior Living Sdn. Bhd. is a limited company incorporated on August 8, 2003, under the laws of Malaysia.

On September 11, 2020, the Company incorporated Wellness ATP International Holdings Sdn. Bhd. ("WATP"), a wholly owned subsidiary under the laws of Malaysia, to pursue the business of promoting wellness and wellbeing lifestyle of the community by providing services that includes online editorials, programs, events and campaigns on how to achieve positive wellness and lifestyle.

On November 11, 2021, Agape ATP Corporation (Labuan) formed an entity, DSY Wellness International Sdn. Bhd. ("DSY Wellness") with an independent third party which Agape ATP Corporation (Labuan) owns 60% of the equity interest, to pursue the business of providing complementary health therapies.

The Company and its subsidiaries are principally engaged in the Health and Wellness Industry. The principal activity of the Company is to supply high-quality health and wellness products, including supplements to assist in cell metabolism, detoxification, blood circulation, anti-aging and products designed to improve the overall health system of the human body and various wellness programs.

The accompanying consolidated financial statements reflect the activities of the Company, AATP LB, AATP HK, WATP, ASL and its variable interest entity ("VIE"), Agape S.E.A. Sdn. Bhd. ("SEA") (See Note 3), and DSY Wellness.

The Company is positioning itself for sustainable growth by diversifying its operations into the domain of renewable energy. This initiative is founded upon our commitment to environmental responsibility, long-term value creation, and proactive adaptation to global energy trends. On January 3, 2024, the Company formed an equity method investment entity, OIE ATPC Holdings (M) Sdn. Bhd. with Oriental Industries Enterprise (M) Sdn Bhd ("OIE"), which the Company and OIE each own 50% of the equity interest. On March 14, 2024, the Company acquired 50% of OIE ATPC Holdings (M) Sdn Bhd equity interest from OIE, subsequently the entity becomes a wholly owned subsidiary of the Company.

On January 8, 2024, OIE ATPC Holdings (M) Sdn Bhd formed a wholly own entity, OIE ATPC Exim (M) Sdn Bhd. However, the Company had decided not to proceed with the continued development of OIE ATPC Exim (M) Sdn Bhd. There is no impact to the Group's operation.

AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

1. ORGANIZATION AND BUSINESS BACKGROUND (Continued)

Details of the Company's subsidiaries:

	Subsidiary company name	Place and date of incorporation	Particulars of issued capital	Principal activities	Proportional of ownership interest and voting power held
1.	Agape ATP Corporation	Labuan, March 6, 2017	100 shares of ordinary share of US\$1 each	Investment holding	100%
2.	Agape ATP International Holding Limited	Hong Kong, June 1, 2017	1,000,000 shares of ordinary share of HK\$1 each	Wholesaling of health and wellness products; and health solution advisory services	100%
3.	Agape Superior Living Sdn. Bhd.	Malaysia, August 8, 2003	9,590,598 shares of ordinary share of RM1 each	Health and wellness products and health solution advisory services via network marketing	99.99%
4.	Agape S.E.A. Sdn. Bhd.	Malaysia, March 4, 2004	2 shares of ordinary share of RM1 each	VIE of Agape Superior Living Sdn. Bhd.	VIE
5.	Wellness ATP International Holdings Sdn, Bhd	Malaysia, September 11, 2020	100 shares of ordinary share of RM1 each	The promotion of wellness and wellbeing lifestyle of the community by providing services that includes online editorials, programs, events and campaigns	100%
6.	DSY Wellness International Sdn Bhd.	Malaysia, November 11, 2021	1,000 shares of ordinary share of RM1 each	Provision of complementary health therapies	60%
7.	OIE ATPC Holdings (M) Sdn Bhd	Malaysia, March 14, 2024	1,000 shares of ordinary share of RM1 each	Renewable energy	100%
8.	OIE ATPC Exim (M) Sdn Bhd	Malaysia, March 14, 2024	1,000 shares of ordinary share of RM1 each	Renewable energy	100%

AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

1. ORGANIZATION AND BUSINESS BACKGROUND (Continued)

Business Overview

Agape ATP Corporation is a company that provides health and wellness products and health solution advisory services to our clients. The Company primarily focus its efforts on attracting customers in Malaysia. Its advisory services center on the "ATP Zeta Health Program", which is a health program designed to effectively prevent diseases caused by polluted environments, unhealthy dietary intake and unhealthy lifestyles, and promotion of health. The program aims to promote improved health and longevity in our clients through a combination of modern medicine, proper nutrition and advice from skilled nutritionists and/or dieticians.

In order to strengthen the Company's supply chain, on May 8, 2020, the Company has successfully acquired approximately 99.99% of ASL, with the goal of securing an established network marketing sales channel that has been established in Malaysia for the past 15 years. ASL has been offering the Company's ATP Zeta Health Program as part of its product lineup. As such, the acquisition creates synergy in the Company's operation by boosting the Company's retail and marketing capabilities. The newly acquired subsidiary allows the Company to fulfill its mission of "helping people to create health and wealth" by providing a financially rewarding business opportunity to distributors and quality products to distributors and customers who seek a healthy lifestyle.

Via ASL, the Company offers four series of programs which consist of different services and products: ATP Zeta Health Program, ÉNERGÉTIQUE, BEAUNIQUE and E.A.T.S.

The ATP Zeta Health Program is a health program designed to promote health and general wellbeing designed to prevent health diseases caused by polluted environments, unhealthy dietary intake and unhealthy lifestyles. The program aims to promote improved health and longevity through a combination of modern health supplements, proper nutrition and advice from skilled dieticians as well as trained members and distributors.

The ÉNERGÉTIQUE series aims to provide a total dermal solution for a healthy skin beginning from the cellular level. The series is comprised of the Energy Mask series, Hyaluronic Acid Serum and Mousse Facial Cleanser.

The BEAUNIQUE product series focuses on the research of our diet's impact on modifying gene expressions in order to address genetic variations and deliver a nutrigenomic solution for every individual.

The E.A.T.S is crafted to bring nutritious lifestyle in convenient approach to maintain healthy living.

The Company deems creating public awareness on wellness and wellbeing lifestyle as essential to enhance the provision of its health solution advisory services; and therefore, incorporated WATP. Upon its establishment, WATP started collaborating with ASL to carry out various wellness programs.

To further its reach in the Health and Wellness Industry, on November 11, 2021, Agape ATP Corporation (Labuan) formed an entity, DSY Wellness International Sdn. Bhd. ("DSY Wellness") with an independent third party which Agape ATP Corporation (Labuan) owns 60% of the equity interest, to pursue the business of providing complementary health therapies.

AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The interim unaudited financial information as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 have been prepared without audit, pursuant to the rules and regulations of the SEC and pursuant to Regulation S-X. Certain information and footnote disclosures, which are normally included in annual financial statements prepared in accordance with U. S. GAAP, have been omitted pursuant to those rules and regulations. The interim unaudited financial information should be read in conjunction with the audited financial statements and the notes thereto, included in the Form 10-K for the fiscal year ended December 31, 2023, which was filed with the SEC on April 1, 2024.

In the opinion of management, all adjustments (including normal recurring adjustments) necessary to present a fair statement of the Company's unaudited financial position as of March 31, 2024, its unaudited results of operations for the three months ended March 31, 2024 and 2023, and its unaudited cash flows for the three months ended March 31, 2024 and 2023, as applicable, have been made. The unaudited interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The unaudited condensed consolidated financial statements include the financial statements of the Company, its subsidiaries and its variable interest entity ("VIE") over which the Company exercises control and, where applicable, entities for which the Company has a controlling financial interest or is the primary beneficiary. All transactions and balances among the Company, its subsidiaries and its VIE have been eliminated upon consolidation.

Principles of 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.

A VIE is an entity that has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest, such as through voting rights, right to receive the expected residual returns of the entity or obligation to absorb the expected losses of the entity. The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. As of and for the three months ended March 31, 2024, SEA, the only VIE of the Company has no significant operations.

Use of estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company's unaudited condensed consolidated financial statements include allowance for inventories obsolescence, impairment of long-lived assets and allowance for deferred tax assets. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand, time deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less.

AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivable

Accounts receivable are recorded at the invoiced amount less an allowance for any uncollectible accounts and do not bear interest, which are due on credit term. The carrying value of accounts receivable is reduced by an allowance that reflects the Company's best estimate of the amounts that will not be collected. An allowance for credit losses is recorded in the period when a loss is probable based on an assessment of collectivity by reviewing accounts receivable on a collective basis where similar characteristics exist, primarily base on similar business line, service or product offerings and on an individual basis when the Company identifies specific customers with known disputes or collectivity issues. In determining the amount of the allowance for credit losses, the Company considers historical collectivity based on past due status, the age of the accounts receivable balances, credit quality of the Company's customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Company's ability to collect from customers. Accounts receivable balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company's management continues to evaluate the reasonableness of the valuation allowance policy and update it if necessary. As of March 31, 2024 and December 31, 2023, \$527 and \$542 allowance of credit losses were recorded.

Inventories

Inventories consist of finished goods and are stated at the lower of cost or net realizable value using the first-in first-out method. Management reviews inventory on hand for estimated obsolescence or unmarketable items, as compared to future demand requirements and the shelf life of the various products. Based on the review, the Company records inventory write-downs, when necessary, when costs exceed expected net realizable value. The Company did not recognize any inventory write-downs nor inventory write-off for the three months ended March 31, 2024 and 2023.

Prepaid taxes

Prepaid taxes include prepaid income taxes that will either be refunded or utilized to offset future income tax .

Prepayments and deposits

Prepayments and deposits are mainly cash deposited or advanced to suppliers for future inventory purchases or service providers for future services. This amount is refundable and bears no interest. For any prepayments and deposits determined by management that such advances will not be in receipts of inventories, services, or refundable, the Company will recognize an allowance account to reserve such balances. Management reviews its prepayments and deposits on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for credit losses after management has determined that the likelihood of collection is not probable. The Company's management continues to evaluate the reasonableness of the allowance policy and update it if necessary. There were no allowance for credit losses written-off during the three months ended March 31, 2024 and 2023. There was no allowance for credit losses recorded as of March 31, 2024 and December 31, 2023.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with no residual value. The estimated useful lives are as follows:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Useful Life
Computer and office equipment	5-7 years
Furniture & fixtures	6-7 years
Motor vehicle	5 years
Leasehold improvements	Shorter of the remaining lease term or the estimated useful life

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of income and comprehensive income. Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized. The Company also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

Intangible assets, net

Intangible assets, net, are stated at cost, less accumulated amortization. Amortization expense is recognized on the straight-line basis over the estimated useful lives of the assets as follows:

Classification	Useful Life
Computer software	5 years

Impairment for long-lived assets

Long-lived assets, including property and equipment, and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. As of March 31, 2024 and December 31, 2023, no impairment of long-lived assets was recognized.

Investment in marketable securities

The Company follows the provisions of ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Investments in marketable equity securities (non-current) are reported at fair value with changes in fair value recognized

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer deposits

Customer deposits represent amounts advanced by customers on product orders and unapplied unexpired coupons. Customer deposits are reduced when the related sale is recognized in accordance with the Company's revenue recognition policy.

Revenue recognition

On July 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (ASC Topic 606). The core principle underlying the revenue recognition of this ASU allows the Company to recognize - revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The Company's revenue streams are recognized at a point in time for the Company's sale of health and wellness products.

The ASU requires the use of a five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

The Company accounts for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of substantially collection.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales of Health and Wellness products

- Performance obligations satisfied at a point in time

The Company derives its revenues from sales contracts with its customers with revenues being recognized when control of the health and wellness products are transferred to its customer at the Company's office or shipment of the goods. The revenue is recorded net of estimated discounts and return allowances. Products are given 60 days for returns or exchanges from the date of purchase. Historically, there were insignificant sales returns.

Under the Company's network marketing business, the Company issues product coupons to members and distributors when these customers made purchases above certain thresholds set by the Company. Depending on the type of product coupons issued, the coupons carry varying values and can be used by the customers for reduction in the transaction price of product purchases within the coupon validity period. The value of the product coupons issued is recorded as a reduction of the Company's revenue account upon issuance; the corresponding amount credited to the customer deposits account. Amounts in customer deposits will be reversed when the coupons are used. The Company's coupons have a validity period of between six and twelve months. If the Company's customers did not utilize the coupons after the validity period, the Company would recognize the forfeiture of the originated sales value of the coupons as net revenues.

For the three months ended March 31, 2024 and 2023, the Company recognized \$ 2,217 and \$22,959, as forfeited coupon income, respectively.

The Company had contracts for the sales of health and wellness products amounting to \$ 11,879 which it is expected to fulfill within 12 months from March 31, 2024.

Sales of products for the provision of complementary health therapies

Products for the provision of complementary health therapies are predominantly Chinese herbs in different forms, processed or otherwise, for prescriptions for treating non-communicable diseases.

Provision of Health and Wellness services

- Performance obligations satisfied at a point in time

The Company carries out its Wellness program, where the Company's products are bundled with health screening test and a health camp program. The health screening test and the health camp programs are considered as separate performance obligations. The promises to deliver the health screening test report and the attendance at the health camp are separately identifiable, which are evidenced by the fact that the Company provides separate services of delivering the health screening test report and allowing admission of the customers to attend the health camp.

The Company based on the health screening test contracts with customers, establishes the selling price for the health screening test and place order to the health screening center. The Company obtains control of the test report before they are delivered to the customers. The Company analyze the test report, provides consultations to the customers, bundle it with the Company's products and services depending on the customer's needs.

The Company also separately derives its revenues from sales contracts with its customers with revenues being recognized when the health camp

program was completed in the final day of the health camp. For the three months ended March 31, 2024 and 2023, revenues from health and wellness services were \$50,934 and \$65,351 respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disaggregated information of revenues by products are as follows:

	For the three months ended March 31,	
	2024	2023
Survivor Select	\$ -	\$ 28,210
Ionized Cal-Mag	374	47,581
Omega Blend	-	22,471
BetaMaxx	-	21,206
Iron	-	11,688
Trim+	-	5,885
LIVO 5	30,798	-
Soy Protein Isolate Powder	3,246	-
Mix Soy Protein Isolate Powder with Black Sesame	2,661	-
Others – Products for the provision of complementary health therapies	230,630	176,557
Others	-	1,818
Total revenues – products	267,709	315,416
Health and Wellness services	50,934	65,351
Total revenues – products and services	\$ 318,643	\$ 380,767

Cost of revenue

Cost of revenue comprised freight-in, the purchase cost of manufactured goods for sale to customers and purchase cost of products and services for the provision of complementary health therapies. Cost of revenue amounted to \$ 115,223 and \$128,359 for the three months ended March 31, 2024 and 2023, respectively.

Shipping and handling

Shipping and handling charges amounted to \$ 967 and \$1,525 for the three months ended March 31, 2024 and 2023, respectively. Shipping and handling charges are expensed as incurred and included in selling expenses.

Advertising costs

There were \$14,715 and \$0 advertising cost incurred for the three months ended March 31, 2024 and 2023. Advertising costs are expensed as incurred and included in general and administrative expenses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commission expenses

As with all companies in the network marketing industry, the Company's sales channel is external to the Company. The Company's "external sales force" is stratified into two levels based on priority recruitment. First, there are sales distributors. Second, all members recruited by a sales distributor, directly or indirectly, are referred to as "sales network members". The Company pays commission to every sales distributor based on purchases made by its sales network members which includes the independent direct sales members. Top performing distributors with their own physical stores may also become stockists of the Company, whereby they enjoy benefits such as maintaining a certain amount of the Company's inventory on their store premises. The stockists shall account to the Company for all products sales from their store premises as monitored through the Company's centralized stock tracking system. The Company pays a separate commission to stockists based on revenue generated from the stockists' physical stores. Commission expenses amounted to \$9,344 and \$33,942 for the three months ended March 31, 2024 and 2023, respectively.

Defined contribution plan

The full-time employees of the Company are entitled to the government mandated defined contribution plan. The Company is required to accrue and pay for these benefits based on certain percentages of the employees' respective salaries, subject to certain ceilings, in accordance with the relevant government regulations, and make cash contributions to the government mandated defined contribution plan. Total expenses for the plans were \$ 30,087 and \$43,713 for the three months ended March 31, 2024 and 2023, respectively.

The related contribution plans include:

- Social Security Organization ("PERKESO") – 1.75% based on employee's monthly salary capped of RM 5,000 ;
- Employees Provident Fund ("EPF") –based on employee's monthly salary, 13% for employee earning RM5,000 and below; and 12% for employee earning RM5,001 and above.
- Employment Insurance System ("EIS") – 0.2% based on employee's monthly salary capped of RM 5,000 ;
- Human Resource Development Fund ("HRDF") – 1% based on employee's monthly salary

Income taxes

The Company accounts for income taxes in accordance with U.S. GAAP for income taxes. The charge for taxation is based on the results for the fiscal year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain 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 amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No penalties and interest incurred related to underpayment of income taxes for the three months ended March 31, 2024 and 2023.

The Company conducts much of its business activities in Hong Kong and Malaysia and is subject to tax in each of these jurisdictions. As a result of its business activities, the Company will file separate tax returns that are subject to examination by the foreign tax authorities.

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). Net income (loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of stockholders' equity but are excluded from net income. Other comprehensive income (loss) consists of a foreign currency translation adjustment resulting from the Company not using the U.S. dollar as its functional currencies.

Non-controlling interest

Non-controlling interest consists of 40% of the equity interests of DSY Wellness held by an individual and approximately 0.01% (3 ordinary shares out of 9,590,599 shares) of the equity interests of ASL held by three individuals. The non-controlling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Company are presented on the face of the consolidated statements of operations as an allocation of the total income or loss for the periods between non-controlling interest holders and the shareholders of the Company.

Earnings (loss) per share

The Company computes earnings (loss) per share ("EPS") in accordance with ASC 260, "Earnings per Share". ASC 260 requires companies to present basic and diluted EPS. Basic EPS is measured as net income (loss) divided by the weighted average ordinary share outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of the potential common stocks (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common stocks that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. For the three months ended March 31, 2024 and 2023, there were no dilutive shares.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies translation and transaction

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the consolidated statements of operations and comprehensive loss.

The reporting currency of the Company is United States Dollars ("US\$") and the accompanying financial statements have been expressed in US\$. The Company's subsidiary in Labuan maintains its books and record in United States Dollars ("US\$") albeit its functional currency being the primary currency of the economic environment in which the entity operates, which is the Malaysian Ringgit ("MYR" or "RM"). The Company's subsidiary in Hong Kong maintains its books and record in Hong Kong Dollars ("HK\$"), similar to its functional currency. The Company's subsidiary and VIE in Malaysia conducts its businesses and maintains its books and record in the local currency, Malaysian Ringgit ("MYR" or "RM"), as its functional currency.

In general, for consolidation purposes, assets and liabilities of its subsidiaries whose functional currency is not US\$ are translated into US\$, in

accordance with ASC Topic 830-30, "Translation of Financial Statement", using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiary are recorded as a separate component of accumulated other comprehensive income within the statements of stockholders' equity. Cash flows are also translated at average translation rates for the periods, therefore, amounts reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Translation of foreign currencies into US\$1 have been made at the following exchange rates for the respective periods:

	As of	
	March 31, 2024	December 31, 2023
Period-end MYR : US\$1 exchange rate	4.72	4.59
Period-end HKD : US\$1 exchange rate	7.82	7.81
For the three months ended March 31,		
2024	2023	
Period-average MYR : US\$1 exchange rate	4.74	4.38
Period-average HKD : US\$1 exchange rate	7.82	7.84

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Fair value of financial instruments

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Leases

The Company adopted ASU 2016-02, "Leases" (Topic 842), and elected the practical expedients that does not require the Company to reassess: (1) whether any expired or existing contracts are, or contain, leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. For lease terms of twelve months or fewer, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Company also adopts the practical expedient that allows lessees to treat the lease and non-lease components of a lease as a single lease component. Some of the Company's leases include one or more options to renew, which is typically at the Company's sole discretion. The Company regularly evaluates the renewal options, and, when it is reasonably certain of exercise, it will include the renewal period in its lease term. New lease modifications result in re-measurement of the right of use ("ROU") assets and lease liabilities. Operating ROU assets and lease liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. Since the implicit rate for the Company's leases is not readily determinable, the Company use its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease terms used to calculate the present value of lease payments generally do not include any options to extend, renew, or terminate the lease, as the Company does not have reasonable certainty at lease inception that these options will be exercised. The Company generally considers the economic life of its operating lease ROU assets to be comparable to the useful life of similar owned assets. The Company has elected the short-term lease exception, therefore operating lease ROU assets and liabilities do not include leases with a lease term of twelve months or less. Its leases generally do not provide a residual guarantee. The operating lease ROU asset also excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

The Company reviews the impairment of its ROU assets consistent with the approach applied for its other long-lived assets. The Company reviews the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on its ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations. The Company has elected to include the carrying amount of operating lease liabilities in any tested asset group and includes the associated operating lease payments in the undiscounted future pre-tax cash flows.

Derivative financial instruments

Derivative financial instruments consist of financial instruments that contain a notional amount and one or more underlying variables such as interest rate, security price, variable conversion rate or other variables, require no initial new investment and permit net settlement. The derivative financial instruments may be free-standing or embedded in other financial instruments. The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The Company based on the terms of the warrant agreement to determine the warrants as equity instruments or derivative liabilities. The Company follows the provision of ASC 815, Derivatives and Hedging for derivative financial instruments that are classified as equity instruments, the contracts are initially measured at fair value and no subsequent measurement is required for equity instruments. The Company uses Black-Scholes Model to calculate the fair value of the warrant.

Recent accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The ASU 2023-07 is intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU 2023-07 is effective for annual reporting periods beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU may have on its unaudited condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The ASU 2023-09 requires companies to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU may have on its unaudited condensed consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2024, the FASB issued ASU 2024-01 "Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards". The ASU clarify how an entity determines whether a profits interest or similar award is within the scope of Accounting Standards Codification ("ASC") 718, Compensation – Stock Compensation, by adding illustrative guidance. The guidance in ASU 2024-01 is effective for annual reporting periods beginning after December 15, 2024, and can be applied either retrospectively to all prior periods presented in the consolidated financial statements or prospectively to profits interest and similar awards granted or modified on or after the date at which the entity first applies the amendments. Early adoption is permitted. The adoption of ASU 2024-01 is not expected to have any impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02 "Codification Improvements – Amendments to Remove References to the Concepts Statements". The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. The amendments in this update are effective for annual reporting periods beginning after December 15, 2024 and are not expected to have a significant impact on our financial statements.

Recently adopted Accounting Pronouncements

In March 2023, the FASB issued ASU No. 2023-01 "Leases (Topic 842) Common Control Arrangements". This ASU provides guidance in ASC Topic 842 that Leasehold improvements associated with common control leases should be (i) amortized by the lessee over the useful life of the leasehold improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset through a lease, and (ii) accounted for as a transfer between entities under common control through an adjustment to equity if and when the lessee no longer controls the use of the underlying asset. The ASU 2023-01 is effective for reporting periods beginning after December 15, 2023. The adoption of this accounting standard has no material impact on the unaudited condensed financial statements for the three months ended and as at March 31, 2024.

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

3. ACQUISITION OF OIE ATPC HOLDINGS (M) SDN. BHD.

On January 3, 2024, the Company together with Oriental Industries Enterprise (M) Sdn. Bhd. ("OIE") form an equity method investment entity, OIE ATPC Holdings (M) Sdn. Bhd. ("OIE ATPC") in which the Company and OIE each owns 50% equity interest at the cost of \$ 108. On March 14, 2024, the Company acquired the remainder 50% of equity at cost of \$ 107 from OIE.

On January 8, 2024, OIE ATPC form a wholly own entity, OIE ATPC Exim (M) Sdn. Bhd. ("ATPC Exim").

As both OIE ATPC and ATPC Exim are newly formed, the Company considered the cost of investment is the fair value of the assets acquired.

4. VARIABLE INTEREST ENTITY ("VIE")

SEA is a trading company incorporated on March 4, 2004, under the laws of Malaysia. SEA provided majority of ASL's purchases. Its equity at risk was insufficient to finance its activities and 100% of its business is transacted with ASL. Therefore, it was considered to be a VIE and ASL is the primary beneficiary since it has both of the following characteristics:

- a. The power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and

b. The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Accordingly, the accounts of SEA is consolidated in the accompanying financial statements.

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4. VARIABLE INTEREST ENTITY ("VIE") (Continued)

The carrying amount of the VIE's assets and liabilities were as follows:

	As of	
	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Current assets	\$ 1,781	\$ 1,799
Current liabilities	(1,170)	(899)
Net asset	\$ 611	\$ 900
	As of	
	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Current assets:		
Cash	\$ 118	\$ 122
Prepayment and deposits	39	7
Prepaid taxes	1,624	1,670
Total current assets	\$ 1,781	\$ 1,799
Current liabilities:		
Other payables – related parties	\$ 42	\$ -
Other payables and accrued liabilities	1,128	899
Total current liabilities	\$ 1,170	\$ 899
Net asset	\$ 611	\$ 900

The summarized operating results of the VIE's are as follows:

	For the three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Operating revenues	\$ -	\$ -
Gross profit	\$ -	\$ -
Loss from operations	\$ (264)	\$ (278)
Net loss	\$ (264)	\$ (278)

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5. CASH AND CASH EQUIVALENTS

As of March 31, 2024 and December 31, 2023 the Company has \$ 3,580,526 and \$4,832,460, respectively, of cash and cash equivalents, which consists of \$244,045 and \$510,019, respectively, of cash and cash in banks and \$ 3,336,481 and \$4,322,441, respectively, of time deposits placed with banks or other financial institutions and are all highly liquid investments with an original maturity of three months or less. The effective interest rate for the time deposits ranged between 2.52% to 2.54% per annum for the three months ended March 31, 2024. The effective interest rate for the time deposits was ranged between 1.37% to 1.88% per annum for the three months ended March 31, 2023. As of March 31, 2024 and December 31, 2023, \$ 3,371,627 and \$4,630,476 of these balances were not covered by deposit insurance, respectively.

6. ACCOUNTS RECEIVABLE

	As of	
	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable	\$ 38,187	\$ 56,000
Allowance for credit losses	(527)	(542)
Total accounts receivable	\$ 37,660	\$ 55,458

Movements of allowance for credit losses are as follows:

	As of	
	<u>March 31, 2024</u>	<u>December 31, 2023</u>

Beginning balance	\$ 542	\$ -
Addition	\$ -	\$ 546
Exchange rate effect	(15)	(4)
Ending balance	\$ 527	\$ 542

7. INVENTORIES

Inventories consist of the following:

	As of	
	March 31, 2024	December 31, 2023
Finished goods	\$ 56,881	\$ 47,907

There were no inventory write-downs nor inventory write-off for the three months ended March 31, 2024 and 2023.

8. PREPAYMENTS AND DEPOSITS

	As of	
	March 31, 2024	December 31, 2023
Prepaid expenses	\$ 476,811	\$ 123,809
Deposits to suppliers	91,232	91,997
Total	<u>\$ 568,043</u>	<u>\$ 215,806</u>

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of	
	March 31, 2024	December 31, 2023
Computer and office equipment	\$ 89,425	\$ 91,947
Furniture & fixtures	108,116	111,164
Motor vehicle	87,269	89,729
Leasehold improvements	<u>179,104</u>	<u>184,155</u>
Subtotal	463,914	476,995
Less: accumulated depreciation	(400,834)	(399,137)
Total	<u>\$ 63,080</u>	<u>\$ 77,858</u>

Depreciation expense for the three months ended March 31, 2024 and 2023 amounted to \$ 12,603 and \$19,841, respectively.

10. INTANGIBLE ASSETS, NET

Intangible assets, net, consist of the following:

	As of	
	March 31, 2024	December 31, 2023
Computer software	\$ 51,639	\$ 53,095
Less: accumulated amortization	(35,840)	(35,637)
Total	<u>\$ 15,799</u>	<u>\$ 17,458</u>

Amortization expense for the three months ended March 31, 2024 and 2023 amounted to \$ 1,176 and \$1,581, respectively. During the period, there is no indication of impairment as the computer software is being use consistently, indicating that it remains relevant and functional for its intended purposes.

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

11. INVESTMENT IN MARKETABLE SECURITIES

- (i) On May 17, 2018, the Company purchased 83,333 shares of common stock in Greenpro Capital Corp. for \$ 500,000 at a purchase price of \$6 per share.
- (ii) On July 30, 2018, the Company disposed 20 shares of common stock in Greenpro Capital Corp. for \$ 125 at a purchase price of \$6.2613 per share.

(iii) On October 16, 2018, the Company purchased 33,333 shares of common stock in Greenpro Capital Corp. for \$ 1,000 at a purchase price of \$0.03 per share.

(iv) On July 19, 2022, Greenpro Capital Corp. filed a certificate of change with the Secretary of State of Nevada to effect a reverse split of the company's common stock at the ratio of 10-for-1 effective July 28, 2022. Under the reverse stock split, each 10 pre-split share of common stock outstanding will automatically combine into 1 new share of common stock of the company. As at July 28, 2022, the Company has an investment of 116,646 common stock of Greenpro Capital Corp. The Company's investment of 116,646 common stock of Greenpro Capital Corp. was reduced to 11,665 subsequent to the reverse stock split.

(v) On November 3, 2020, the Company received dividend of 6,667 shares of common stock in DSwiss, Inc. for \$ 76,671 at fair value of \$11.50 per share from Greenpro Capital Corporation as result of its Spin-off of DSwiss, Inc.'s shares

(vi) On December 9, 2020, the Company received dividend of 16,663 shares of common stock in DSwiss, Inc. for \$ 83,315 at fair value of \$5 per share from Greenpro Capital Corporation as result of its Spin-off of DSwiss, Inc.'s shares.

(vii) On September 27, 2021, the Company received dividend of 11,665 shares of common stock in SEATech Ventures Corp. for \$ 18,874 at fair value of \$1.62 per share from Greenpro Capital Corp as a dividend income since Greenpro Capital Corp previously owned these shares.

(viii) On April 3, 2019, the Company purchased a 5% of stock or 15,000,000 shares of common stock in Phoenix Plus Corp. (a non-marketable security) for \$1,500 at purchase price of \$0.0001 per share. Phoenix Plus Corp. obtained approval for Depository Trust Company eligibility on April 26, 2022. Since the commencement of trading of common stock of Phoenix Plus Corp. on May 18, 2022, to April 12, 2024 there were only 7 days traded with number of shares of common stock ranging from 100 to 57,500. The Company deems there is an absence of a readily determinable fair value of the common stock of Phoenix Plus Corp. and has continued to value its investment in the company Phoenix Plus Corp. at cost. The carrying value of the Company's investment in Phoenix Plus Corp. was \$1,500 as of March 31, 2024 and December 31, 2023.

	As of	
	March 31, 2024	December 31, 2023
Fair value of investment in marketable securities at the beginning of period / year	\$ 20,171	\$ 16,687
Unrealized holding gain	1,173	3,493
Exchange rate effect	(38)	(9)
Fair value of investment in marketable securities at the end of period / year	<u>\$ 21,306</u>	<u>\$ 20,171</u>

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

12. CUSTOMER DEPOSITS

	As of	
	March 31, 2024	December 31, 2023
Customer deposits – Non Refundable	\$ 97,993	\$ 100,540
Unexpired product coupons	270	1,035
Total	\$ 98,263	\$ 101,575

Customer deposits represent amounts advanced by customers on product orders and unexpired product coupons issued to the Company's members and distributors of its network marketing business.

13. OTHER PAYABLES AND ACCRUED LIABILITIES

	As of	
	March 31, 2024	December 31, 2023
Professional fees	\$ 189,798	\$ 348,664
Promotion expenses	46,678	47,995
Payroll	23,389	26,104
Amounts held in eWallets	166,446	185,137
Tax penalty	75,000	75,000
Others	33,943	43,161
Total	\$ 535,254	\$ 726,061

The Company requires all members and distributors of its network marketing business to maintain an electronic wallet (eWallet) account with the Company. The eWallet is primarily for the crediting of any commission payment that falls below RM 100 (or \$22.70). Commission payment exceeding the RM100 threshold shall only be credited into the member's or distributor's eWallet upon request. The eWallet functionality allows the members to place new product orders utilizing eWallet available balance and/or request commission payout via multiple payment methods provided that each of the withdrawal amount exceeds RM100. Amounts held in eWallets are reflected on the balance sheet as a current liability.

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

14. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances

Amount due from related parties

Name of Related Party	Relationship	Nature	As of	
			March 31, 2024	December 31, 2023
TH3 Holdings Sdn Bhd ("TH3")	Mr. How Kok Choong, the CEO and director of the Company is also a director of TH3	Prepayment of IT expenses	\$ 5,094	\$ 2,922
SY Welltech Sdn Bhd ("Welltech") (formerly known as DSY Beauty Sdn Bhd)	The directors and shareholders of DSY Beauty are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd	Deposits for products purchases	-	8,171
Total			\$ 5,094	\$ 11,093

Accounts payable – related parties

Name of Related Party	Relationship	Nature	As of	
			March 31, 2024	December 31, 2023
CTA Nutriceuticals (Asia) Sdn Bhd ("CTA")	The directors and shareholders of CTA are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY International Wellness Sdn Bhd	Purchases of products for the provision of complementary health therapies	\$ 14,067	\$ 30,439
SY Welltech Sdn Bhd ("Welltech") (formerly known as DSY Beauty Sdn Bhd)	The directors and shareholders of DSY Beauty are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd	Purchases of beauty products	63	54
Mr. Chew Yi Zheng	Mr. Chew Yi Zheng is the member of the immediate family of Mr. Yap Foo Ching (Steve Yap), the director of DSY Wellness International Sdn Bhd	Render therapy and health consultation to customer	-	4,355
Total			\$ 14,131	\$ 34,848

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

14. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Related party balances

Other payable - related parties

Name of Related Party	Relationship	Nature	As of	
			March 31, 2024	December 31, 2023
DSY Wellness & Longevity Center Sdn Bhd ("DSYWLC")	Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd is also a director of DSYWLC.	Other expenses paid on behalf	\$ 1	\$ -
CTA Nutriceuticals (Asia) Sdn Bhd ("CTA")	The directors and shareholders of CTA are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY International Wellness Sdn Bhd	Purchase of products for general use	369	570
SY Welltech Sdn Bhd ("Welltech") (formerly known as DSY Beauty Sdn Bhd)	The directors and shareholders of DSY Beauty are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd	Purchase of products for general use	278	535
Mr. Yap Foo Ching (Steve Yap)	Mr. Yap Foo Ching, the director of the DSY Wellness International Sdn Bhd	Payment on behalf by Mr. Yap	-	6,534
Mr. How Kok Choong	Mr. How Kok Choong, the CEO and director of the Company	Commission expense	188	207
Total			\$ 837	\$ 7,846

Related party transactions

Purchases

Name of Related	For the three months ended March 31,
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Party	Relationship	Nature	2024	2023
CTA Nutriceuticals (Asia) Sdn Bhd ("CTA")	The directors and shareholders of CTA are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY International Wellness Sdn Bhd	Purchases of products for the provision of complementary health therapies	\$ 81,235	\$ 20,317
SY Welltech Sdn Bhd ("Welltech") (formerly known as DSY Beauty Sdn Bhd)	The directors and shareholders of Welltech are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd	Purchases of beauty products	15,791	17,569
Total			\$ 97,026	\$ 37,886

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

14. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Related party transactions

Other purchases

Name of Related Party	Relationship	Nature	For the three months ended March 31,	
			2024	2023
CTA Nutriceuticals (Asia) Sdn Bhd ("CTA")	The directors and shareholders of CTA are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY International Wellness Sdn Bhd	Purchase of products for general use	\$ 938	\$ 963
SY Welltech Sdn Bhd ("Welltech") (formerly known as DSY Beauty Sdn Bhd)	The directors and shareholders of DSY Beauty are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd	Purchase of products for general use	2,191	2,307
Total			\$ 3,129	\$ 3,270

Commission

Name of Related Party	Relationship	Nature	For the three months ended March 31,	
			2024	2023
Mr. How Kok Choong	Mr. How Kok Choong, the CEO and director of the Company	Commission expense	\$ 732	\$ 1,956
Total			\$ 732	\$ 1,956

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

14. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Related party transactions

Other income

Name of Related Party	Relationship	Nature	For the three months ended March 31,	
			2024	2023
Redboy Picture Sdn Bhd ("Redboy")	Mr. How Kok Choong, the CEO and director of the Company is also the director of Redboy	Office rental income	\$ -	\$ 2,056
TH3 Holdings Sdn Bhd ("TH3")	Mr. How Kok Choong, the CEO and director of the Company is also a director of TH3	Office rental income	190	-
Ando Design sdn Bhd ("Ando")	Mr. How Kok Choong, the CEO and director of the Company is also the director of Ando	Office rental income	633	685
Total			\$ 823	\$ 2,741

Other expenses

Name of Related Party	Relationship	Nature	For the three months ended March 31,	
			2024	2023
TH3 Holdings Sdn Bhd ("TH3")	Mr. How Kok Choong, the CEO and director of the Company is also a director of TH3	IT support services fee	\$ 14,081	\$ 14,391
SY Welltech Sdn Bhd ("Welltech") (formerly known as DSY Beauty Sdn Bhd)	The directors and shareholders of DSY Beauty are related parties to Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd	Purchase of products for general use	5	-
DSY Wellness and Longevity Center Sdn Bhd ("DSYWLC")	Mr. Yap Foo Ching (Steve Yap), a director of DSY Wellness International Sdn Bhd is also a director of DSYWLC	Office rental expense	7,600	8,224
Total			\$ 21,686	\$ 22,615

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

15. STOCKHOLDERS' EQUITY

Preferred stock

As of March 31, 2024 and December 31, 2023, there were 200,000,000 preferred stocks authorized but none were issued and outstanding.

Common stock

As of March 31, 2024 and December 31, 2023, there were 1,000,000,000 common stocks authorized; 76,966,712 and 77,102,012 shares issued and outstanding, respectively.

Treasury Stock

On January 26, 2024, the Company redeemed 135,300 treasury stock at par value \$0.0001. As of March 31, 2024 and December 31, 2023, there were 0 and 135,300 treasury stock respectively.

Warrants

On October 10, 2023, the Company entered into an underwriting agreement with Network 1 Financial Securities, Inc., as underwriter named thereof, in connection with its initial public offering ("IPO") of 1,650,000 shares of common stock, par value \$0.0001 per share (the "Shares") at a price of \$4.00 per share. The Company issued Representative's Warrants to purchase up to 115,500 shares of common stock at \$4.40 per share, dated October 13, 2023, to Network 1 Financial Securities, Inc. The warrants shall be exercisable at any time, and from time to time, in whole or in part, 180 days after October 13, 2023 (i.e. the date of issuance) and expiring on October 10, 2028.

The warrants are classified as equity instruments, the contracts are initially measured at fair value and no subsequent measurement is need for equity instruments. The Company uses Black-Scholes Model to calculate the fair value of the warrant. As of October 13, 2023 (the "Grant Date") the warrant was valued at \$38,580 with the following assumptions.

	As of October 13, 2023
Risk-free interest rate	4.65%
Expected volatility	49%
Expected life (in years)	5 years
Expected dividend yield	0.00%
Fair value of warrants	\$ 38,580

As of March 31, 2024, there were 115,500 warrants outstanding.

16. NON-CONTROLLING INTEREST

The Company's non-controlling interest consists of the following:

	As of	
	March 31, 2024	December 31, 2023
DSY Wellness:		
Paid-in capital	\$ 97	\$ 97
Retained earnings	19,046	12,434
Accumulated other comprehensive expense	(1,053)	(752)
	18,090	11,779
ASL	-	-
Total	\$ 18,090	\$ 11,779

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

17. INCOME TAXES

The United States and foreign components of income (loss) before income taxes were comprised of the following:

	For the three months ended March 31,	
	2024	2023
Tax jurisdictions from:		
Local – United States	\$ (527,625)	\$ (167,785)
Foreign – Malaysia	(176,524)	(274,286)
Foreign – Hong Kong	7,893	3,779
Loss before income tax	<u>\$ (696,256)</u>	<u>\$ (438,292)</u>

Income tax expense (credit) consisted of the following:

	For the three months ended March 31,	
	2024	2023
Current:		
- Local	\$ -	\$ -
- Foreign	(6,838)	-
Deferred:		
- Local	-	-
- Foreign	-	4,217
Income tax expense (credit)	<u>\$ (6,838)</u>	<u>\$ 4,217</u>

The effective tax rate in the periods presented is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. The Company and its subsidiary that operate in various countries: United States, Malaysia (including Labuan) and Hong Kong that are subject to taxes in the jurisdictions in which they operate, as follows:

United States of America

Agape ATP Corporation was incorporated in the State of Nevada and is subject to the tax laws of the United States of America with a corporate tax rate of 21% on its taxable income. Agape ATP Corporation also subject to controlled foreign corporations Subpart F income ("Subpart F") tax, which is a tax primarily on passive income from controlled foreign corporations with a tax rate of 21%. In addition, the Tax Cuts and Jobs Act imposed a global intangible low-taxed income ("GILTI") tax, which is a tax on certain off-shore earnings at an effective rate of 10.5% for tax years (50% deduction of the current enacted tax rate of 21%) with a partial offset for 80% foreign tax credits. If the foreign tax rate is 13.125% or higher, there will be no U.S. corporate tax after the 80% foreign tax credits are applied.

For the three months ended March 31, 2024 and 2023, the Company's foreign subsidiaries did not generate any income that are subject to Subpart F tax and GILTI tax.

As of March 31, 2024 and December 31, 2023, the operations in the United States of America incurred approximately \$ 2,620,000 and \$2,093,000, respectively, of cumulative net operating losses ("NOL") which can be carried forward to offset future taxable income or Subpart F and GILTI taxes. These balances can be carried forward indefinitely. The deferred tax valuation allowance as of March 31, 2024 and December 31, 2023 were approximately \$550,000 and \$440,000, respectively.

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

17. INCOME TAXES (Continued)

Malaysia

Agape ATP Corporation, Agape Superior Living Sdn Bhd, Agape S.E.A Sdn Bhd., Wellness ATP International Holdings Sdn Bhd., DSY Wellness International Sdn. Bhd. OIE ATPC Holdings (M) Sdn Bhd and OIE ATPC Exim (M) Sdn Bhd. are governed by the income taxes laws of Malaysia and the income taxes provision in respect of operations in Malaysia is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Income Tax Act of Malaysia, enterprises that incorporated in Malaysia are usually subject to a unified 24% enterprise income taxes rate while preferential tax rates, tax holidays and even tax exemption may be granted on case-by-case basis. The tax rate for small and medium sized companies (generally companies incorporated in Malaysia with paid-in capital of RM 2,500,000 or less) is 15% for the first RM 150,000 (or approximately \$37,500), 17% for the subsequent RM 150,000 to RM 600,000 (or approximately \$37,500 to \$150,000) and 24% for the remaining balance for three months ended March 31, 2024 and 2023.

As of March 31, 2024 and December 31, 2023, the operations in Malaysia incurred approximately \$ 2,858,000 and \$2,796,000, respectively, of cumulative net operating losses ("NOL") which can be carried forward to offset future taxable income. Approximately \$730,000, \$811,000, \$1,145,000 and \$165,000 of the net operating loss carry forwards will expire in 2031, 2032, 2033 and 2034, respectively, if unutilized. The deferred tax valuation allowance as of March 31, 2024 and December 31, 2023 were approximately \$692,000 and \$670,000, respectively.

Hong Kong

Agape ATP International Holding (HK) Limited is subject to Hong Kong Profits Tax, which is charged at the statutory income rate of 16.5% on its assessable income derived from Hong Kong. Business income derived or business expenses incurred outside the Special Administrative Region is not subject to Hong Kong Profits Tax or deduction.

The following table sets forth the significant components of the aggregate deferred tax assets of the Company:

	As of	
	March 31, 2024	December 31, 2023
Deferred tax assets:		
Net operating loss carry forwards in U.S.	\$ 550,293	\$ 439,492
Net operating loss carry forwards in Malaysia	685,304	664,105
Unabsorbed capital allowance carry forward in Malaysia	34,034	5,577
Less: valuation allowance	<u>(1,269,631)</u>	<u>(1,108,955)</u>
Deferred tax assets, net	<u>\$ -</u>	<u>\$ 219</u>

Uncertain tax positions

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of March 31, 2024 and December 31, 2023, the Company did not have any significant unrecognized uncertain tax positions. The Company did not incur any interest and penalties tax for the three months ended March 31, 2024 and 2023.

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

18. CONCENTRATIONS OF RISKS

(a) Major customers

For the three months ended March 31, 2024, and 2023, no customer accounted for 10% or more of the Company's total revenues.

As of March 31, 2024, seven individual customers accounted for approximately 25.0% of the Company's balance of accounts receivable. As of December 31, 2023, six individual customers and one company accounted for approximately 40.2% of the Company's balance of accounts receivable.

(b) Major vendors

For the three months ended March 31, 2024, three vendors accounted for approximately 64.2%, 18.2% and 12.6% of the Company's total purchases. For the three months ended March 31, 2023, three vendors accounted for approximately 21.1%, 17.3% and 14.7% of the Company's total purchases, respectively.

As of March 31, 2024, two vendors accounted for approximately 73.0% and 24.2% of the Company's total balance of accounts payable, respectively. As of December 31, 2023, two vendors accounted for approximately 61.8% and 35.4% of the Company's total balance of accounts payable, respectively.

CTA Nutriceuticals (Asia) Sdn Bhd, a related company, accounted for approximately 24.2% and 35.4% of the Company's total balance of accounts payable as of March 31, 2024 and December 31, 2023, respectively.

(c) Commission Expenses to Sales Distributors and Stockists

One sales distributor accounted for 19.7% of the Company's commission expense for the three months ended March 31, 2024. One sales distributor accounted for 14.2% of the Company's commission expense for the three months ended March 31, 2023.

(d) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. As of March 31, 2024, and December 31, 2023, \$3,564,550 and \$4,817,213 were deposited with financial institutions, respectively, \$ 3,371,627 and \$4,630,476 of these balances were not covered by deposit insurance, respectively. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

Financial instruments that are potentially subject to credit risk consist principally of accounts receivable. The Company believes the concentration of credit risk in its account receivable is substantially mitigated by its ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Historically, the Company did not have any bad debt on its account receivable.

(e) Exchange rate risk

The Company cannot guarantee that the current exchange rate will remain steady; therefore, there is a possibility that the Company could post the same amount of profit for two comparable periods and because of the fluctuating exchange rate actually post higher or lower profit depending on exchange rate of RM and HK\$ converted to US\$ on that date. The exchange rate could fluctuate depending on changes in political and economic environments without notice.

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

19. COMMITMENTS AND CONTINGENCIES

Lease commitments

On June 1, 2023, upon the expiry of the two-years lease for its office space, the Company entered into a new three-years lease with the same landlord

who had earlier leased the same office space to the Company since April 1, 2020. The Company recognized lease liabilities of approximately \$ 283,220, with a corresponding right-of-use ("ROU") asset in the same amount based on the present value of the future minimum rental payments of the lease, using an effective interest rate of 5.5%, which was determined using the Company's estimated incremental borrowing rate.

On September 1, 2023, upon the expiry of the two-years lease for its office space and sales training center, the Company entered into a new three-years lease with the same landlord who had earlier leased the same office space and sales training center to the Company since April 1, 2020. The Company recognized lease liabilities of approximately \$126,093 with a corresponding right-of-use ("ROU") asset in the same amount based on the present value of the future minimum rental payments of the lease, using an effective interest rate of 5.5%, which was determined using the Company's estimated incremental borrowing rate.

On October 1, 2023, upon the expiry of the two-years lease for an apartment to serve as staff accommodation, the Company entered into a new two-years lease with the same landlord who had earlier leased the same apartment to the Company since October 1, 2023. The Company recognized lease liabilities of approximately \$8,940 with a corresponding right-of-use ("ROU") asset in the same amount based on the present value of the future minimum rental payments of the lease, using an effective interest rate of 5.5%, which was determined using the Company's estimated incremental borrowing rate.

On December 18, 2023, the Company leased non-commercial vehicle as lessee under finance leases with 5 years lease terms. The Company recognized finance lease liabilities of approximately \$78,824, using an effective interest rate of 8.63%, which was determined using the incremental borrowing rate.

Components of leases	As of March 31, 2024	As of December 31, 2023
Operating lease cost	37,519	157,370
Amortization of finance lease asset	\$ 4,256	13,094
Interest on finance lease liabilities	1,065	275
Weighted average remaining lease term (years)		
Operating lease	2.23	2.48
Finance lease	4.83	5.00
Weighted average discount rate		
Operating lease	5.5%	5.5%
Finance lease	8.6%	8.6%

The five-year maturity of the Company's operating lease liabilities is as follow:

Twelve Months Ending March 31,	Operating lease liabilities	Finance lease liabilities
2025	\$ 150,736	\$ 14,114
2026	149,016	14,114
2027	35,798	14,114
2028	-	14,114
Thereafter	-	42,603
Total lease payments	335,550	99,059
Less: interest	(20,025)	(22,508)
Present value of lease liabilities	\$ 315,525	\$ 76,551

The Company also leases one office and operation center, and one shophouse with an expiring term of twelve months or less, which were classified as operation leases. Since the lease terms for these leases were twelve months or less, a lessee is permitted to elect not to recognize lease assets and liabilities. The Company has elected not to recognize lease assets and liabilities on these leases. As of March 31, 2024, the Company's commitment for minimum lease payment under these operating leases within the next twelve months were \$28,674.

Short term lease cost for the three months ended March 31, 2024 and 2023 was \$ 10,851 and \$10,075, respectively.

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AGAPE ATP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

19. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

Legal

From time to time, the Company is party to certain legal proceedings, as well as certain asserted and un-asserted claims. Amounts accrued, as well as the total amount of reasonably possible losses with respect to such matters, individually and in the aggregate, are not deemed to be material to the consolidated financial statements.

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of issuance of this, unaudited condensed consolidated financial statements, and does not identify any events with material financial impact on the Company's unaudited condensed consolidated financial statements.

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The information contained in this quarter report on Form 10-Q is intended to update the information contained in our Form 10-K, dated March 31, 2024, for the year ended December 31, 2023 and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information contained in such Form 10-K. The following discussion and analysis also should be read together with our unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q.

The following discussion contains certain statements that may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Report, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements are not guarantees of future performance and involve risks, uncertainties and requirements that are difficult to predict or are beyond our control. Forward-looking statements speak only as of the date of this quarterly report. You should not put undue reliance on any forward-looking statements. We assume no responsibility to update the forward-looking statements contained in this transition report on Form 10-Q. The following should also be read in conjunction with the unaudited condensed Consolidated Financial Statements and notes thereto that appear elsewhere in this report.

Company Overview

Agape ATP Corporation, a Nevada corporation ("the Company") was incorporated under the laws of the State of Nevada on June 1, 2016.

Agape ATP Corporation operates through its subsidiaries, namely, Agape ATP Corporation ("AATP LB"), a company incorporated in Labuan, Malaysia, and Agape Superior Living Sdn. Bhd. ("ASL"), a company incorporated in Malaysia.

Agape ATP Corporation, incorporated in Labuan, Malaysia, is an investment holding company with 100% equity interest in Agape ATP International Holding Limited ("AATP HK"), a company incorporated in Hong Kong.

On May 8, 2020, the Company entered into a Share Exchange Agreement with Mr. How Kok Choong, CEO and director of the Company to acquire 9,590,596 ordinary shares, no par value, equivalent to approximately 99.99% of the equity interest in Agape Superior Living Sdn. Bhd., a network marketing entity incorporated in Malaysia.

Agape Superior Living Sdn. Bhd. is a limited company incorporated on August 8, 2003, under the laws of Malaysia.

On September 11, 2020, the Company incorporated Wellness ATP International Holdings Sdn. Bhd. ("WATP"), a wholly owned subsidiary under the laws of Malaysia, to pursue the business of promoting wellness and wellbeing lifestyle of the community by providing services that includes online editorials, programs, events and campaigns on how to achieve positive wellness and lifestyle.

On November 11, 2021, Agape ATP Corporation (Labuan) formed an entity, DSY Wellness International Sdn. Bhd. ("DSY Wellness") with an independent third party which Agape ATP Corporation (Labuan) owns 60% of the equity interest, to pursue the business of providing complementary health therapies.

The Company and its subsidiaries are principally engaged in the Health and Wellness Industry. The principal activity of the Company is to supply high-quality health and wellness products, including supplements to assist in cell metabolism, detoxification, blood circulation, anti-aging and products designed to improve the overall health system of the human body and various wellness programs.

Agape ATP Corporation is a company that provides health and wellness products and health solution advisory services to our clients. The Company primarily focus its efforts on attracting customers in Malaysia. Its advisory services center on the "ATP Zeta Health Program", which is a health program designed to effectively prevent diseases caused by polluted environments, unhealthy dietary intake and unhealthy lifestyles, and promotion of health. The program aims to promote improved health and longevity in our clients through a combination of modern medicine, proper nutrition and advice from skilled nutritionists and/or dieticians.

In order to strengthen the Company's supply chain, on May 8, 2020, the Company has successfully acquired approximately 99.99% of ASL, with the goal of securing an established network marketing sales channel that has been established in Malaysia for the past 15 years. ASL has been offering the Company's ATP Zeta Health Program as part of its product lineup. As such, the acquisition creates synergy in the Company's operation by boosting the Company's retail and marketing capabilities. The newly acquired subsidiary allows the Company to fulfill its mission of "helping people to create health and wealth" by providing a financially rewarding business opportunity to distributors and quality products to distributors and customers who seek a healthy lifestyle.

Via ASL, the Company offers three series of programs which consist of different services and products: ATP Zeta Health Program, ÉNERGÉTIQUE and BEAUNIQUE.

The ATP Zeta Health Program is a health program designed to promote health and general wellbeing designed to prevent health diseases caused by polluted environments, unhealthy dietary intake and unhealthy lifestyles. The program aims to promote improved health and longevity through a combination of modern health supplements, proper nutrition and advice from skilled dieticians as well as trained members and distributors.

The ÉNERGÉTIQUE series aims to provide a total dermal solution for a healthy skin beginning from the cellular level. The series is comprised of the Energy Mask series, Hyaluronic Acid Serum and Mousse Facial Cleanser.

The BEAUNIQUE product series focuses on the research of our diet's impact on modifying gene expressions in order to address genetic variations and deliver a nutrigenomic solution for every individual.

The Company deems creating public awareness on wellness and wellbeing lifestyle as essential to enhance the provision of its health solution advisory services; and therefore, incorporated WATP. Upon its establishment, WATP started collaborating with ASL to carry out various wellness programs.

To further its reach in the Health and Wellness Industry, on November 11, 2021, Agape ATP Corporation (Labuan) formed an entity, DSY Wellness International Sdn. Bhd. ("DSY Wellness") with an independent third party which Agape ATP Corporation (Labuan) owns 60% of the equity interest, to pursue the business of providing complementary health therapies.

The Company is positioning itself for sustainable growth by diversifying its operations into the domain of renewable energy. This initiative is founded upon our commitment to environmental responsibility, long-term value creation, and proactive adaptation to global energy trends. On January 3, 2024, the Company formed an equity method investment entity, OIE ATPC Holdings (M) Sdn. Bhd. with Oriental Industries Enterprise (M) Sdn Bhd ("OIE"), which the Company and OIE each own 50% of the equity interest. On March 14, 2024, the Company acquired 50% of OIE ATPC Holdings (M) Sdn Bhd equity interest from OIE, subsequently the entity becomes a wholly owned subsidiary of the Company.

On January 8, 2024, OIE ATPC Holdings (M) Sdn Bhd formed a wholly own entity, OIE ATPC Exim (M) Sdn Bhd. However, the Company had decided

not to proceed with the continued development of OIE ATPC Exim (M) Sdn Bhd.

Results of Operation

For the three months ended March 31, 2024 and 2023

Revenue

We generated revenue of \$318,643, which comprised revenue from the Company's network marketing business of \$37,079 (approximately 11.6% of revenue); and revenue from the Company's operations in the provision of complementary health therapies of \$281,564 (approximately 88.4% of revenue) for the three months ended March 31, 2024 as compared to \$380,767, which comprised revenue from the Company's network marketing business of \$138,859 (approximately 36.5% of revenue); and revenue from the Company's operations in the provision of complementary health therapies of \$241,908 (approximately 63.5% of revenue) for the three months ended March 31, 2023. Revenue from the Company's network marketing business decreased significantly by \$101,780 or approximately 73.3%. Revenue from the Company's operations in the provision of complementary health therapies increased by \$39,656 or approximately 16.4%. However, total revenue decreased by \$62,124 or approximately 16.3%. The decrease was predominately due to the anticipated poor performance from the Company's network marketing business owing to limited product range available as compared to the previous years, which limited the potential development of this revenue stream. The Company is in the process of introducing a whole new range of products for its networking marketing business.

Cost of Revenue

Cost of revenue for the three months ended March 31, 2024 amounted to \$115,223 as compared to \$128,359 for the three months ended March 31, 2023, represented a decrease of \$13,136 or approximately 10.2%. The decrease was due to the decrease in revenue in the Company's network marketing business; and the varying gross profit margins in the Company's operations in the provision of complementary health therapies.

Cost of revenue typically comprise of freight-in, cost of goods purchased, packing materials and services acquired.

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Gross Profit

Gross profit for the three months ended March 31, 2024 amounted to \$203,420, represented a gross margin of 63.8% as compared to \$252,408 for the three months ended March 31, 2023, equivalent to a gross margin of 66.3%. The decrease in gross margin was predominately due to lower gross margin sustained by the Company's network marketing business and the varying type of health therapies offered, gross margin associated with the provision of complementary health therapies.

Operating Expenses

Our operating expenses consist of selling expenses, commission expenses and general and administrative expenses.

Selling expenses

Selling expenses for the three months ended March 31, 2024 amounted to \$50,348 as compared to \$76,098 for the three months ended March 31, 2023, represented a decrease of \$25,750 or approximately 33.8%, mainly due to the decrease in staff salaries. The Company's selling expenses typically comprise of salaries and benefits expenses which represented approximately 80% to 85% of total selling expenses, credit card processing fees and promotional expenses.

Commission expenses

Commission expenses were \$9,344 and \$33,942 for the three months ended March 31, 2024 and 2023, respectively. The decrease in commission expenses was in line with the decrease in revenue.

General and administrative expenses ("G&A Expenses")

G&A expenses for the three months ended March 31, 2024 amounted to \$867,266, as compared to \$596,253 for the three months ended March 31, 2023, represented an increase of \$271,013 or approximately 45.5%. The increase in G&A expenses was mainly due to the salary incurred for one executive director and three independent directors, professional fees and the Nasdaq annual listing fees. The Company's G&A expenses typically comprise of salaries and benefits expenses, rental expenses, professional expenses and depreciation expenses.

Other Income, Net

For the three months ended March 31, 2024, we recorded an amount of \$27,282 as net other income, as compared to \$15,593 for the three months ended March 31, 2023, represented a significant increase of \$11,689 or approximately 75.0%.

The net other income of \$27,282 recorded during the three months ended March 31, 2024 comprised of foreign currency exchange loss of \$842, unrealized holding gain on marketable securities of \$1,173, other income of \$4,142 and interest income of \$22,809.

The net other income of \$15,593 recorded during the three months ended March 31, 2023 comprised of foreign currency exchange loss of \$876, unrealized holding gain on marketable securities of \$4,920, other income of \$8,366 and interest income of \$3,183.

Income Tax Expense (Credit)

The Company recorded provision for income taxes of \$6,838 and benefit of income taxes of \$4,217 for the three months ended March 31, 2024 and 2023, respectively. Both the benefit of income taxes as well as the provision for income taxes were in respect of the Company's operations in Malaysia.

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Net Loss

Net loss increased by \$269,019 from net loss of \$434,075 for the three months ended March 31, 2023 to net loss of \$703,094 for the three months ended March 31, 2024, mainly due to reasons as discussed above.

Liquidity and Capital Resources

As of March 31, 2024, we had working capital of \$3,428,530 consisting of cash and cash in bank of \$244,045 and time deposits of \$3,336,481 as compared to working capital of \$4,113,614 consisted of cash and cash in bank of \$510,019 and time deposits of \$4,322,441 as of December 31, 2023. The Company had a net loss of \$703,094 for the three months ended March 31, 2024 and accumulated deficits of \$7,757,278 as of March 31, 2024 as compared to net loss of \$2,109,935 for the year ended December 31, 2023 and accumulated deficits of \$7,047,571 as of December 31, 2023.

The following summarizes the key components of our cash flows for the three months ended March 31, 2024 and 2023:

	For the three months ended March 31,	
	2024	2023
Net cash used in operating activities	\$ (1,243,460)	\$ (272,555)
Net cash used in investing activities	-	(38,768)
Net cash used in financing activities	(899)	(6,961)
Effect of exchange rate on cash and cash equivalents	(7,575)	(213)
Net change in cash and cash equivalents	<u>\$ (1,251,934)</u>	<u>\$ (318,497)</u>

Operating activities

Net cash used in operating activities for the three months ended March 31, 2024 was \$1,243,460, and were mainly comprised of the net loss of \$703,094, the non-cash unrealized holding gain on marketable securities of \$1,173, the increase in inventories of \$10,246, increase in prepaid taxes of \$2,797, the increase in prepayments and deposits of \$354,839, decrease in accounts payables (including related parties) of \$29,757, the decrease in customer deposits of \$526, the payment of operating lease liabilities of \$32,630, the decrease in other payables (including related parties) and accrued liabilities of \$188,182. The net cash used in operating activities was mainly offset by non-cash depreciation and amortization expense of \$13,779, amortization of operating right-of-use assets of \$33,007, amortization of finance assets of \$4,256, deferred tax benefit of \$212, the decrease in accounts receivables of \$16,227, the decrease in other receivables of \$5,677 (including related parties), and the increase of income tax payable of \$6,626.

Net cash used in operating activities for the three months ended March 31, 2023 was \$272,555, comprised of net loss of \$434,075, increase in accounts receivables of \$1,211, decrease in accounts payable of \$5,054, decrease in customer deposits of \$18,176, payment of operating lease liabilities of \$40,399, decrease in other payables and accrued liabilities of \$125,763, decrease in other payable – a related party of \$4,632, the non-cash income on unrealized holding gain on marketable securities of \$4,920, deferred tax benefit of \$4,217; offset by the non-cash depreciation and amortization expense of \$21,422, amortization of operating right-of-use assets of \$39,672, decrease in amount due from related parties of \$9,595, decrease in inventories of \$1,007, decrease in prepaid taxes of \$254,128, decrease in prepayments and deposits of \$23,584, and increase in accounts payable of \$16,484.

Investing activities

There were no investing activities for the three months ended March 31, 2024.

Net cash used in investing activities for the three months ended March 31, 2023 was \$38,768, which was due to purchase of equipment.

Financing activities

Net cash used in financing activities for the three months ended March 31, 2024 was \$899, which was the reduction of finance lease liability.

Net cash used in financing activities for the three months ended March 31, 2023 was \$6,961, which was due to the payment of deferred offering cost.

Credit Facilities

We do not have any credit facilities or other access to bank credit.

Off-Balance Sheet Arrangements

As of March 31, 2024, we have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Critical Accounting Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company's unaudited condensed consolidated financial statements include allowance for inventories obsolescence, impairment of long-lived assets and allowance for deferred tax assets. Following are the methods and assumptions used in determining our estimates.

Estimated allowance for inventories obsolescence

Management reviews inventory on hand for estimated obsolescence or unmarketable items, as compared to future demand requirements and the shelf life of the various products. Based on the review, the Company records inventory write-downs, when necessary, when costs exceed expected net realizable value. The Company did not recognize any inventory write-downs nor inventory write-off for the three months ended March 31, 2024 and 2023.

Impairment of long-lived assets

Operating right-of-use assets and property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Company has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset is not recoverable that is its carrying amount exceeds the amount of expected undiscounted future cash flows result from the use of the asset. Once it is established that impairment has occurred, the amount of impairment expense is determined as the difference between the carrying value of the asset and its estimated fair value based on a discounted cash flows approach.

As of March 31, 2024, the carrying amounts of operating right-of-use assets and property, plant and equipment amounted to \$314,390 and \$63,080 (March 31, 2023: \$41,593 and \$60,480). No impairment losses on operating right-of-use assets and property, plant and equipment were recognized as of March 31, 2024 and 2023.

Allowance for deferred tax assets

The Company conducts much of its business activities in Malaysia and Hong Kong and is subject to tax in each of these jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is more likely than not that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Critical Accounting Policies

Revenue recognition

On July 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (ASC Topic 606). The core principle underlying the revenue recognition of this ASU allows the Company to recognize - revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The Company's revenue streams are recognized at a point in time for the Company's sale of health and wellness products.

The ASU requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

The Company accounts for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of substantially collection.

Sales of Health and Wellness products

- Performance obligations satisfied at a point in time

The Company derives its revenues from sales contracts with its customers with revenues being recognized when control of the health and wellness products are transferred to its customer at the Company's office or shipment of the goods. The revenue is recorded net of estimated discounts and return allowances. Products are given 60 days for returns or exchanges from the date of purchase. Historically, there were insignificant sales returns.

Under the Company's network marketing business, the Company issues product coupons to members and distributors when these customers made purchases above certain thresholds set by the Company. Depending on the type of product coupons issued, the coupons carry varying values and can be used by the customers for reduction in the transaction price of product purchases within the coupon validity period. The value of the product coupons issued is recorded as a reduction of the Company's revenue account upon issuance; the corresponding amount credited to the customer deposits account. Amounts in customer deposits will be reversed when the coupons are used. The Company's coupons have a validity period of between six and twelve months. If the Company's customers did not utilize the coupons after the validity period, the Company would recognize the forfeiture of the originated sales value of the coupons as net revenues.

Provision of Health and Wellness services

- Performance obligations satisfied at a point in time

The Company carries out its Wellness program, where the Company's products are bundled with health screening test and a health camp program. The health screening test and the health camp programs are considered as separate performance obligations. The promises to deliver the health screening test report and the attendance at the health camp are separately identifiable, which are evidenced by the fact that the Company provides separate services of delivering the health screening test report and allowing admission of the customers to attend the health camp. The Company based on the health screening test contracts with customers, establishes the selling price for the health screening test and place order to the health screening center. The Company obtains control of the test report before they are delivered to the customers. The Company analyze the test report, provides consultations to the customers, bundle it with the Company's products and services depending on the customer's needs. The Company derives its revenues from sales contracts with its customers with revenues being recognized when the test reports are completed and delivered to its customers during the consultation section in person. The Company also separately derives its revenues from sales contracts with its customers with revenues being recognized when the health camp program was completed in the final day of the health camp.

Fair value of financial instruments

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Accounting Standards Adopted in 2024

In March 2023, the FASB issued ASU No. 2023-01 "Leases (Topic 842) Common Control Arrangements". This ASU provides guidance in ASC Topic 842 that Leasehold improvements associated with common control leases should be (i) amortized by the lessee over the useful life of the leasehold improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset through a lease, and (ii) accounted for as a transfer between entities under common control through an adjustment to equity if and when the lessee no longer controls the use of the underlying asset. The ASU 2023-01 is effective for reporting periods beginning after December 15, 2023. The adoption of this accounting standard has no material impact on the unaudited condensed financial statements for the three months ended and as at March 31, 2024.

The adoption of these ASUs did not have a material impact on the unaudited condensed consolidated financial statements for the three months end and as at March 31, 2024.

Recent accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The ASU 2023-07 is intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU 2023-07 is effective for annual reporting periods beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU may have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The ASU 2023-09 requires companies to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU may have on its consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01 "Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards". The ASU clarify how an entity determines whether a profits interest or similar award is within the scope of Accounting Standards Codification ("ASC") 718, Compensation – Stock Compensation, by adding illustrative guidance. The guidance in ASU 2024-01 is effective for annual reporting periods beginning after December 15, 2024, and can be applied either retrospectively to all prior periods presented in the consolidated financial statements or prospectively to profits interest and similar awards granted or modified on or after the date at which the entity first applies the amendments. Early adoption is permitted. The adoption of ASU 2024-01 is not expected to have any impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02 "Codification Improvements – Amendments to Remove References to the Concepts Statements". The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. The amendments in this update are effective for annual reporting periods beginning after December 15, 2024 and are not expected to have a significant impact on our financial statements.

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

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk. Substantially most of our revenues are denominated in the Malaysian Ringgit while most of our expenses are denominated in Malaysian Ringgit, U.S. dollar and Hong Kong Dollar. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Although in general, our exposure to foreign exchange risks should be limited, the value of an investment in our Common Stock may be affected by the foreign exchange rate between U.S. dollar and Malaysian Ringgit; and U.S. dollar and Hong Kong Dollar because the value of our business is effectively denominated in Malaysian Ringgit and Hong Kong Dollar, while the Common Stock is traded in U.S. dollars.

Credit risk. Financial instruments that are potentially subject to credit risk consist principally of accounts receivable. The Company believes the concentration of credit risk in its trade receivables is substantially mitigated by its ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on the foregoing evaluation, our chief executive officer and chief financial officer concluded that, as of March 31, 2024, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

Internal Control Over Financial Reporting

Our management, including our chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's chief executive officer and chief financial officer and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of March 31, 2024, our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on such evaluation, the Company's management, including our chief executive and chief financial officer, concluded that, during the period covered by this Report, internal controls and procedures over financial reporting were not effective. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

Identified Material Weakness

A material weakness in internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management, including our chief executive officer and chief financial officer identified the following material weakness during its assessment of internal controls over financial reporting as of March 31, 2024:

(i) insufficient full-time personnel with appropriate levels of accounting knowledge and experience to monitor the daily recording of transactions, address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures under U.S. GAAP; (ii) lack of a functional internal audit department or personnel that monitors the consistencies of the preventive internal control procedures and lack of adequate policies and procedures in internal audit function to ensure that the Company's policies and procedures have been carried out as planned.

Accordingly, the Company concluded that these control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we will prepare written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines, to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity and debt transactions.

To further strengthen the Company's internal controls, we plan to initiate the following measures going forward:

1. We intend to establish an internal audit function with assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal control.
2. Once we hire additional employees, we intend to initiate a comprehensive training program and development plan to provide ongoing company-wide trainings regarding internal control and requirements of U.S. GAAP financial statements and related disclosures, with particular emphasis on our accounting staff.

We anticipate that these initiatives will be at least partially, if not fully, implemented by the end of fiscal year 2024.

Changes in Internal Control over Financial Reporting:

Except as disclosed above, there were no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We know of no materials, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any beneficial shareholder are an adverse party or has a material interest averse to us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

ITEM 6. Exhibits

Exhibit No.	Description
31.1	Rule 13(a)-14(a)/15(d)-14(a) Certification of principal executive officer*
31.2	Rule 13(a)-14(a)/15(d)-14(a) Certification of principal financial officer*
32.1	Section 1350 Certification of principal executive officer *
32.2	Section 1350 Certification of principal financial officer *
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Schema Document*
101.CAL	Inline XBRL Calculation Linkbase Document*
101.DEF	Inline XBRL Definition Linkbase Document*
101.LAB	Inline XBRL Label Linkbase Document*
101.PRE	Inline XBRL Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

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SIGNATURES

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

AGAPE ATP CORPORATION
(Name of Registrant)

Date: May 14, 2024

By: /s/ How Kok Choong
Title: Chief Executive Officer,
President, Director, Secretary and Treasurer
(Principal Executive Officer and Principal Financial Officer)

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.

AGAPE ATP CORPORATION
(Name of Registrant)

Date: May 14, 2024

By: /s/ LEE Kam-fan, Andrew
Title: Chief Financial Officer

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CERTIFICATION

I, HOW KOK CHOONG, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Agape ATP Corporation (the "Company") for the quarter ended March 31, 2024;
2. Based on my knowledge, this quarterly 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the 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. 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: May 14, 2024

By: /s/ How Kok Choong

HOW KOK CHOONG
Chief Executive Officer,
President, Director, Secretary, Treasurer
(Principal Executive Officer and Principal Financial Officer)

CERTIFICATION

I, ANDREW LEE KAM FAN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Agape ATP Corporation (the "Company") for the quarter ended March 31, 2024;
2. Based on my knowledge, this quarterly 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the 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. 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: May 14, 2024

By: /s/ LEE Kam-fan, Andrew
 LEE KAM FAN, ANDREW
 Chief Financial Officer

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

In connection with the Quarterly Report of Agape ATP Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), The undersigned hereby certifies, 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 and belief:

- (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 result of operations of the Company.

Date: May 14, 2024

By: /s/ How Kok Choong

HOW KOK CHOONG

Chief Executive Officer, President, Director, Secretary, Treasurer
(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**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 Agape ATP Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), The undersigned hereby certifies, 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 and belief:

- (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 result of operations of the Company.

Date: May 14, 2024

By: /s/ LEE Kam-fan, Andrew
LEE KAM FAN, ANDREW
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
