

**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 January 31, 2024

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 001-38876**

**ATIF HOLDINGS LIMITED**  
(Exact Name of Registrant as Specified in Its Charter)

<b>British Virgin Islands</b> (State of Other Jurisdiction of Incorporation or Organization)	<b>Not Applicable</b> (I.R.S. Employer Identification No.)
<b>25391 Commercentre Dr., Ste 200, Lake Forest, CA</b> (Address of Principal Executive Offices)	<b>92630</b> (ZIP Code)

**308-888-8888**  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of exchange on which registered
Ordinary Shares	ATIF	The Nasdaq Stock Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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

As of March 13, 2024, there were **9,627,452** of the registrant's ordinary shares issued and outstanding.

---

## TABLE OF CONTENTS

	<u>Page</u>
<b>PART I-FINANCIAL INFORMATION</b>	
<a href="#">Item 1. Financial Statements</a>	1
<a href="#">Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations</a>	18
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	26
<a href="#">Item 4. Controls and Procedures</a>	26
<b>PART II-OTHER INFORMATION</b>	
<a href="#">Item 1. Legal Proceedings</a>	27
<a href="#">Item 1A. Risk Factors</a>	28
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	28
<a href="#">Item 3. Defaults Upon Senior Securities</a>	28
<a href="#">Item 4. Mine Safety Disclosures</a>	28
<a href="#">Item 5. Other Information</a>	28
<a href="#">Item 6. Exhibits</a>	29
<a href="#">SIGNATURES</a>	30

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements. The statements herein which are not historical reflect our current expectations and projections about the Company's future results, performance, liquidity, financial condition, prospects and opportunities and are based upon information currently available to us and our management and our interpretation of what we believe to be significant factors affecting our business, including many assumptions about future events. Such forward-looking statements include statements regarding, among other things:

- ? our ability to produce, market and generate sales of our products and services;
- ? our ability to develop and/or introduce new products and services;
- ? our projected future sales, profitability and other financial metrics;
- ? our future financing plans;
- ? our anticipated needs for working capital;
- ? the anticipated trends in our industry;
- ? our ability to expand our sales and marketing capability;
- ? acquisitions of other companies or assets that we might undertake in the future;
- ? competition existing today or that will likely arise in the future; and
- ? other factors discussed elsewhere herein.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "will," "plan," "could," "target," "contemplate," "predict," "potential," "continue," "expect," "anticipate," "estimate," "believe," "intend," "seek," or "project" or the negative of these words or other variations on these or similar words. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially from those expressed in, or implied by, these forward-looking statements as a result of

various risks, uncertainties and other factors, including the ability to raise sufficient capital to continue the Company's operations. These statements may be found under Part I, Item 2-"Management's Discussion And Analysis Of Financial Condition And Results Of Operations," as well as elsewhere in this Quarterly Report on Form 10-Q generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, matters described in this Quarterly Report on Form 10-Q.

In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Quarterly Report on Form 10-Q will in fact occur.

Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. Such statements are presented only as a guide about future possibilities and do not represent assured events, and we anticipate that subsequent events and developments will cause our views to change. You should, therefore, not rely on these forward-looking statements as representing our views as of any date after the date of this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q also contains estimates and other statistical data prepared by independent parties and by us relating to market size and growth and other data about our industry. These estimates and data involve a number of assumptions and limitations, and potential investors are cautioned not to give undue weight to these estimates and data. We have not independently verified the statistical and other industry data generated by independent parties and contained in this Quarterly Report on Form 10-Q. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk.

Potential investors should not make an investment decision based solely on our projections, estimates or expectations.

## PART I.

### FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

##### ATIF HOLDINGS LIMITED CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31, 2024 (unaudited)	July 31, 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 139,152	\$ 606,022
Accounts receivable	500,000	650,000
Accounts receivable – a related party	-	600,000
Deposits	111,000	86,000
Investment in trading securities	548,576	130,649
Due from a related party	20,539	40,539
Prepaid expenses and other current assets	300,724	429,570
<b>Total current assets</b>	<b>1,619,991</b>	<b>2,542,780</b>
Property and equipment, net	79,385	93,637
Intangible assets, net	33,331	73,331
Right-of- use assets, net	756,012	1,058,822
<b>TOTAL ASSETS</b>	<b>\$ 2,488,719</b>	<b>\$ 3,768,570</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		

Accrued expenses and other current liabilities	\$ 427,817	\$ 293,140
Deferred revenue	-	70,000
Taxes payable	24,285	31,200
Due to related parties	712,258	729,968
Operating lease liabilities, current	289,952	415,411
<b>Total current liabilities</b>	<b>1,454,312</b>	<b>1,539,719</b>
Operating lease liabilities, noncurrent	528,155	689,498
<b>TOTAL LIABILITIES</b>	<b>1,982,467</b>	<b>2,229,217</b>
<b>Commitments</b>		
<b>EQUITY</b>		
Ordinary shares, \$0.001 par value, 100,000,000,000 shares authorized, 9,627,452 shares and 9,627,452 shares issued and outstanding as of January 31, 2024 and July 31, 2023, respectively	9,627	9,627
Additional paid-in capital	29,196,350	29,196,350
Accumulated deficit	(28,699,725)	(27,666,624)
<b>Total ATIF Holdings Limited Stockholders' equity</b>	<b>506,252</b>	<b>1,539,353</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,488,719</b>	<b>\$ 3,768,570</b>

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

**ATIF HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE (LOSS) INCOME**

	For the Three Months		For the Six Months Ended	
	Ended		January 31,	
	2024	2023	2024	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	\$ 25,000	\$ 1,900,000	\$ 150,000	\$ 2,200,000
<b>Operating expenses:</b>				
Selling expenses	(93,000)	(48,000)	(165,000)	(53,000)
General and administrative expenses	(479,516)	(518,112)	(1,189,295)	(1,081,008)
<b>Total operating expenses</b>	<b>(572,516)</b>	<b>(566,112)</b>	<b>(1,354,295)</b>	<b>(1,134,008)</b>
<b>(Loss) income from operations</b>	<b>(547,516)</b>	<b>1,333,888</b>	<b>(1,204,295)</b>	<b>1,065,992</b>
<b>Other income (expenses):</b>				
Interest (expenses) income, net	23	(57,973)	23	1,874
Other income (expenses), net	59,185	62,903	199,905	122,403
Income (loss) from investment in trading securities	80,670	39,120	(28,734)	19,116
Gain from disposal of subsidiaries	-	-	-	56,038
<b>Total other income, net</b>	<b>139,878</b>	<b>44,050</b>	<b>171,194</b>	<b>199,431</b>
<b>(Loss) income before income taxes</b>	<b>(407,638)</b>	<b>1,377,938</b>	<b>(1,033,101)</b>	<b>1,265,423</b>
Income tax provision	-	(566,957)	-	(566,957)
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (407,638)</b>	<b>\$ 810,981</b>	<b>\$ (1,033,101)</b>	<b>\$ 698,466</b>
(Loss) earnings per share – basic and diluted	\$ (0.04)	\$ 0.08	\$ (0.11)	\$ 0.07
<b>Weighted Average Shares Outstanding</b>				

Basic and diluted

9,627,452      9,627,452      9,627,452      9,627,452

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

2

**ATIF HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2024 AND 2023**

*For the Three Months Ended January 31, 2024 and 2023*

	<b>Ordinary Share</b>		<b>Additional Paid in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>			
<b>Balance at October 31, 2022 (unaudited)</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 24,896,840</b>	<b>\$ 4,309,137</b>
Net income for the period	-	-	-	810,981	810,981
<b>Balance at January 31, 2023 (unaudited)</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 24,085,859</b>	<b>\$ 5,120,118</b>
<b>Balance at October 31, 2023 (unaudited)</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 28,292,087</b>	<b>\$ 913,890</b>
Net loss for the period	-	-	-	(407,638)	(407,638)
<b>Balance at January 31, 2024 (unaudited)</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 28,699,725</b>	<b>\$ 506,252</b>

*For the Six Months Ended January 31, 2024 and 2023*

	<b>Ordinary Share</b>		<b>Additional Paid in Capital</b>	<b>Accumulated deficit</b>	<b>Non- controlling Interest</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				
<b>Balance at July 31, 2022</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,496,350</b>	<b>\$ 24,784,325</b>	<b>\$ (369,045)</b>	<b>\$ 4,352,607</b>
Disposal of a subsidiary	-	-	(300,000)	-	369,045	69,045
Net income for the period	-	-	-	698,466	-	698,466
<b>Balance at January 31, 2023 (unaudited)</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 24,085,859</b>	<b>\$ -</b>	<b>\$ 5,120,118</b>
<b>Balance at July 31, 2023</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 27,666,624</b>	<b>\$ -</b>	<b>\$ 1,539,353</b>
Net loss for the period	-	-	-	(1,033,101)	-	(1,033,101)
<b>Balance at January 31, 2024 (unaudited)</b>	<b>9,627,452</b>	<b>\$ 9,627</b>	<b>\$ 29,196,350</b>	<b>\$ 28,699,725</b>	<b>\$ -</b>	<b>\$ 506,252</b>

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

3

**ATIF HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Six Months Ended January 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (1,033,101)	698,466
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	59,338	73,311
Amortization of right-of-use assets	223,285	212,210
Loss from early termination of an operating lease	7,600	-
Loss from disposal of a subsidiary	-	69,045
Loss (gain) from investment in trading securities	28,733	(19,116)
Changes in operating assets and liabilities:		
Accounts receivable	150,000	(1,650,000)
Accounts receivable – related parties	600,000	-
Deposits	(25,000)	55,000
Prepaid expenses and other current assets	128,845	12,232
Deferred revenue	(70,000)	(20,785)
Taxes payable	(6,915)	566,957
Accrued expenses and other liabilities	134,679	(561,677)
Lease liabilities	(214,877)	(190,357)
<b>Net cash used in operating activities</b>	<b>(17,413)</b>	<b>(754,714)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(5,086)	(8,140)
Investment in trading securities	(446,661)	(59,396)
Loans made to a related party	(17,710)	(100,000)
Collection of borrowings from a related party	20,000	1,500
<b>Net cash used in investing activities</b>	<b>(449,457)</b>	<b>(166,036)</b>
Net decrease in cash	(466,870)	(920,750)
Cash, beginning of period	606,022	1,750,137
<b>Cash, end of period</b>	<b>\$ 139,152</b>	<b>\$ 829,387</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest expenses	\$ -	\$ -
Cash paid for income tax	\$ 6,915	\$ -
<b>Supplemental disclosure of Non-cash investing and financing activities of discontinued operations</b>		
Right-of-use assets obtained in exchange for operating lease obligations	\$ -	\$ 109,492
Disposal of right-of-use assets with decrease of operating lease obligations	\$ 79,524	\$ -

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

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

ATIF Holdings Limited (“ATIF” or the “Company”), formerly known as Eternal Fairy International Limited and Asia Times Holdings Limited, was incorporated under the laws of the British Virgin Islands (“BVI”) on January 5, 2015, as a holding company to develop business opportunities in the People’s Republic of China (the “PRC” or “China”). The Company adopted its current name on March 7, 2019. The Company is primarily engaged in providing business advisory and financial consulting services to small and medium-sized enterprise customers.

On October 6 and October 7, 2022, ATIF Inc., a wholly owned subsidiary of ATIF, established ATIF Business Consulting LLC (“ATIF BC”) and ATIF Business Management LLC (“ATIF BM”) under the laws of the State of California of the United States, respectively. On April 25, 2022, the Company established ATIF Investment Limited (“ATIF Investment”) under the laws of BVI. On December 22, 2021, ATIF Inc. established ATIF BD LLC (“ATIF BD”) under the laws of California of the United States.

On August 1, 2022, the Company entered into a sales agreement with a third party, pursuant to which the Company sold all of its equity interest in ATIF GP at the cost of \$50,000. The management believed the disposition does not represent a strategic shift because it is not changing the way it is running its consulting business. The Company has not shifted the nature of its operations. The termination is not accounted as discontinued operations in accordance with ASC 205-20. Upon the closing of the Agreement, ATIF GP is no longer our subsidiary and ATIF USA ceased to be the investment manager of ATIF LP.

As of January 31, 2024, the Company’s condensed consolidated financial statements reflect the operating results of the following entities:

<b>Name of Entity</b>	<b>Date of Incorporation</b>	<b>Place of Incorporation</b>	<b>% of Ownership</b>	<b>Principal Activities</b>
<b>Parent company:</b>				
ATIF Holdings Limited (“ATIF”)	January 5, 2015	British Virgin Islands	Parent	Investment holding
<b>Wholly owned subsidiaries of ATIF</b>				
ATIF Inc. (“ATIF USA”)	October 26, 2020	USA	100%	Consultancy and information technology support
ATIF Investment LLC (“ATIF Investment”)	April 25, 2022	BVI	100%	Consultancy and information technology support
ATIF BD	December 22, 2021	USA	100% owned by ATIF USA	Consultancy and information technology support
ATIF BC	October 6, 2022	USA	100% owned by ATIF USA	Consultancy and information technology support
ATIF BM	October 6, 2022	USA	100% owned by ATIF USA	Consultancy and information technology support

## ATIF HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### NOTE 2 – LIQUIDITY and GOING CONCERN

For the three and six months ended January 31, 2024, the Company reported a net loss of approximately \$0.4 million and approximately \$1.0 million, respectively. For the three and six months ended January 31, 2023, the Company reported a net income of approximately \$0.8 million and \$0.7 million, respectively. For the six months ended January 31, 2024 and 2023, the Company reported operating cash outflows of \$17,413 and approximately \$0.8 million, respectively. In assessing the Company’s ability to continue as a going concern, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments.

As of January 31, 2024, the Company had cash of approximately \$0.1 million, accounts receivable of approximately of \$0.5 million and short-term investments of approximately \$0.5 million, which were highly liquid. On the other hand, the Company had current liabilities of approximately \$1.5 million, among which approximately \$0.7 million were due to related parties. The balance due to related parties are payable on demand and may be extended. The Company’s ability to continue as a going concern is dependent on management’s ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources.

Because of losses from operations, working capital deficit, and the requirement of additional capital to fund our current operating plan at January 31, 2024, these factors indicate the existence of an uncertainty that raises substantial doubt about the Company's ability to continue as a going concern. The Company anticipates that it will need to raise additional capital immediately in order to continue to fund its operations. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay, reduce, or cease its operations.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

The interim unaudited condensed consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The unaudited condensed consolidated balance sheets as of January 31, 2024 and for the unaudited condensed consolidated statement of operations and comprehensive loss for the three and six months ended January 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 unaudited condensed consolidated financial statements 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 July 31, 2023, which was filed with the SEC on November 13, 2023.

In the opinion of the management, the accompanying condensed consolidated financial statements reflect all normal recurring adjustments, which are necessary for a fair presentation of financial results for the interim periods presented. The Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying condensed consolidated financial statements have been prepared using the same accounting policies as used in the preparation of the Company's consolidated financial statements for the year ended July 31, 2023. The results of operations for the three and six months ended January 31, 2024 and 2023 are not necessarily indicative of the results for the full years.

The unaudited condensed consolidated financial statements of the Company include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

**Use of Estimates**

In preparing the condensed consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information as of the date of the condensed consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the allowance for credit losses, useful lives of property and equipment and intangible assets, the recoverability of long-lived assets, revenue recognition, provision necessary for contingent liabilities and realization of deferred tax assets. Actual results could differ from those estimates.

**Accounts Receivable, net**

On August 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), using the modified retrospective transition method. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. Upon adoption, the Company changed the impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments



measured at amortized cost and receivables resulting from the application of ASC 606, including contract assets. The adoption of the guidance had no impact on the allowance for credit losses for accounts receivable.

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable, net (continued)**

Prior to the Company's adoption of ASU 2016-13, accounts receivable are presented net of allowance for doubtful accounts. The Company usually determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trends. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management's best estimates of specific losses on individual exposures, as well as a provision on historical trends of collections. The provision is recorded against accounts receivables balances, with a corresponding charge recorded in the condensed consolidated statements of operations and comprehensive loss. Delinquent account balances are written off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

After the adoption of ASU 2016-13, The Company maintains an allowance for credit losses and records the allowance for credit losses as an offset to accounts receivable and the estimated credit losses charged to the allowance is classified as "General and administrative expenses" in the condensed consolidated statements of operations and comprehensive loss. The Company uses loss-rate methods to estimate allowance for credit loss. The Company assesses collectability by reviewing accounts receivable on an individual basis because the Company had limited customers and each of them has difference characteristics, primarily based on business line and geographical area. In determining the amount of the allowance for credit losses, the Company multiplied the loss rate with the amortized cost of accounts receivable. The loss rate refers to the corporate default rate published by credit rating companies, which considers current economic conditions, reasonable and supportable forecasts of future economic conditions. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

**Fair Value of Financial Instruments**

ASC 825-10 requires certain disclosures regarding the fair value of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- ? 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, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable and inputs derived from or corroborated by observable market data.
- ? Level 3 – inputs to the valuation methodology are unobservable.

Fair value of investment in trading securities are based on quoted prices in active markets. The carrying amounts of the Company's other financial instruments including cash and cash equivalents, accounts receivable, deposits, due from related parties, and other current assets, due to related parties and accrued expenses and other current liabilities approximate their fair values because of the short-term nature of these assets and liabilities. For lease liabilities, fair value approximates their carrying value at the year-end as the interest rates used to discount the host contracts approximate market rates. For the three and six months ended January 31, 2024 and 2023, there are no transfers between different levels of inputs used to measure fair value.

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition**

The Company recognizes revenue in accordance with ASC 606 Revenue from Contracts with Customers (“ASC 606”).

To determine revenue recognition for contracts with customers, the Company performs the following five steps: (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 recognizes revenue when it transfers its goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange.

For the three and six months ended January 31, 2024 and 2023, the Company primarily generated revenues from consulting services to customers who would like to go public.

The Company provides various consulting services to its members, especially to those who have the intention to be publicly listed in the stock exchanges in the United States and other countries. The Company categorizes its consulting services into three Phases:

Phase I consulting services primarily include due diligence review, market research and feasibility study, business plan drafting, accounting record review, and business analysis and recommendations. Management estimates that Phase I normally takes about three months to complete based on its past experience.

Phase II consulting services primarily include reorganization, pre-listing education and tutoring, talent search, legal and audit firm recommendation and coordination, VIE contracts and other public-listing related documents review, merger and acquisition planning, investor referral and pre-listing equity financing source identification and recommendations, and independent directors and audit committee candidate’s recommendation. Management estimates that Phase II normally takes about eight months to complete based on its past experience.

Phase III consulting services primarily include shell company identification and recommendation for customers expecting to become publicly listed through reverse merger transaction; assistance in preparation of customers’ public filings for IPO or reverse merger transactions; and assistance in answering comments and questions received from regulatory agencies. Management believes it is very difficult to estimate the timing of this phase of service as the completion of Phase III services is not within the Company’s control.

Each phase of consulting services is stand-alone and fees associated with each phase are clearly identified in service agreements. Revenue from providing Phase I and Phase II consulting services to customers is recognized ratably over the estimated completion period of each phase as the Company’s performance obligations related to these services are carried out over the whole duration of each Phase. Revenue from providing Phase III consulting services to customers is recognized upon completion of the reverse merger transaction or IPO transaction when the Company’s promised services are rendered and the Company’s performance obligations are satisfied. Revenue that has been billed and not yet recognized is reflected as deferred revenue on the balance sheet.

Depending on the complexity of the underlying service arrangement and related terms and conditions, significant judgments, assumptions, and estimates may be required to determine when substantial delivery of contract elements has occurred, whether any significant ongoing obligations exist subsequent to contract execution, whether amounts due are collectible and the appropriate period or periods in which, or during which, the completion of the earnings process occurs. Depending on the magnitude of specific revenue arrangements, adjustment may be made to the judgments, assumptions, and estimates regarding contracts executed in any specific period.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes

The Company accounts for income taxes under ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized only if it is “more likely than not” that the tax position would be sustained in a tax examination. 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. The Company did not have unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit as of January 31, 2024. As of January 31, 2024, all of the Company’s income tax returns for the tax years ended December 31, 2019 through December 31, 2023 remain open for statutory examination by relevant tax authorities.

#### Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision making group, in deciding how to allocate resources and in assessing performance. The Company’s CODM is Mr. Liu, the Chairman of the Board of Directors and CEO.

The Company’s organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but not limited to, customer base, homogeneity of service and technology. The Company’s operating segments are based on such organizational structure and information reviewed by the CODM to evaluate the operating segment results. Based on management’s assessment, the management has determined that the Company now operates in one operating segment with one reporting segment as of January 31, 2024 and July 31, 2023, which is the consulting service business.

## ATIF HOLDINGS LIMITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Risks and Uncertainty

##### (a) Credit risk

As of January 31, 2024, the Company held cash and cash equivalents of approximately \$0.1 million deposited in the banks located in the U.S., which were insured by FDIC up to \$250,000, and held cash and cash equivalents of \$12,458 deposited in the investment bank accounts located in the U.S. which are not insured by FDIC.

##### (b) Concentration risk

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposed to credit risk. The risk is mitigated by the Company’s assessment of its customers’ creditworthiness and its ongoing monitoring of outstanding balances.

The Company has a concentration of its revenues and receivables with specific customers. For the three months ended January 31, 2024, one customer accounted for 100% of the Company’s consolidated revenue. For the three months ended January 31, 2023, three customers accounted for 34%, 34% and 32% of the Company’s consolidated revenue.

For the six months ended January 31, 2024, four customers accounted for 40%, 33%, 17% and 10% of the Company’s consolidated revenue. For the six months ended January 31, 2023, four customers accounted for 30%, 30%, 27% and 14% of the Company’s

consolidated revenue.

As of January 31, 2024, two customers accounted for 60% and 40% of the Company's consolidated accounts receivable, respectively. As of July 31, 2023, two customers accounted for 54% and 46% of the Company's consolidated accounts receivable, respectively.

For the three and six months ended January 31, 2024 and 2023, substantially all of the Company's revenues was generated from providing going public related consulting services to customers. The concentration risk is mitigated by the Company's plan to transition its consulting services from the PRC based customers to more international customers.

(c) Other risks and uncertainties

The Company's business, financial condition and results of operations may also be negatively impacted by risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt the Company's operations.

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consisted of the following:

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
	<b>(unaudited)</b>	
Prepayment for advertising service fee (a)	\$ 288,500	\$ 408,000
Advance to vendors	10,000	10,000
Others	2,224	11,570
<b>Total</b>	<b>\$ 300,724</b>	<b>\$ 429,570</b>

(a) Prepayment for advertising services represent the advance payments made by the Company to a third party advertising company for producing advertising contents. These prepayments are typically expensed over the period when the services are performed.

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET**

Property and equipment, net, consisted of the following:

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
	<b>(unaudited)</b>	
Furniture, fixtures and equipment	\$ 209,290	\$ 204,204
Less: accumulated depreciation	(129,905)	(110,567)
<b>Property and equipment, net</b>	<b>\$ 79,385</b>	<b>\$ 93,637</b>

Depreciation expense was \$9,669 and \$16,655 for the three months ended January 31, 2024 and 2023, respectively. Depreciation expense was \$19,338 and \$33,311 for the six months ended January 31, 2024 and 2023, respectively.

**NOTE 6 – INTANGIBLE ASSETS**

Net intangible assets consisted of the following:

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
	<b>(unaudited)</b>	
Software	\$ 320,000	\$ 320,000

Less: accumulated amortization	(286,669)	(246,669)
<b>Intangible assets</b>	<b>\$ 33,331</b>	<b>\$ 73,331</b>

Amortization expense was \$20,000 and \$20,000 for the three months ended January 31, 2024 and 2023, respectively. Amortization expense was \$40,000 and \$40,000 for the six months ended January 31, 2024 and 2023, respectively.

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 7 – INVESTMENTS IN TRADING SECURITIES**

As of January 31, 2024 and July 31, 2023, the balance of investments in trading securities represented certain equity securities of listed companies purchased through various open market transactions by the Company during the relevant periods. All trading securities were invested by ATIF. The investments are initially recorded at cost, and subsequently measured at fair value with the changes in fair value recorded in other income (expenses), net in the consolidated statement of operations and comprehensive (loss) income. For the three months ended January 31, 2024 and 2023, the Company recorded an increase in fair value of \$80,670 and \$39,120, respectively. For the six months ended January 31, 2024 and 2023, the Company recorded a decrease in fair value of \$28,734 and an increase in fair value of \$19,116, respectively.

**NOTE 8 – OPERATING LEASES**

The Company leases offices spaces and a car under non-cancelable operating leases, with lease terms ranging between 14 months to 60 months. Among the lease agreements, one office space agreement was entered into with a related party (Note 11). The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Rent expense for the three months ended January 31, 2024 and 2023 was \$120,692 and \$130,169, respectively. Rent expense for the six months ended January 31, 2024 and 2023 was \$246,371 and \$250,861, respectively. During the three and six months ended January 31, 2024, the Company early terminated a car lease arrangement, and recognized losses of \$62,282 arising from early termination in the condensed consolidated statements of operations comprehensive (loss) income. The losses of \$62,282 was comprised of \$7,600 arising from the derecognition of operating right-of-use assets and operating lease liabilities, and \$54,682 arising from penalties.

Effective August 1, 2019, the Company adopted the new lease accounting standard using a modified retrospective transition method, which allows the Company not to recast comparative periods presented in its consolidated financial statements. In addition, the Company elected the package of practical expedients, which allows the Company to not reassess whether any existing contracts contain a lease, to not reassess historical lease classification as operating or finance leases, and to not reassess initial direct costs. The Company has not elected the practical expedient to use hindsight to determine the lease term for its leases at transition. The Company combines the lease and non-lease components in determining the ROU assets and related lease obligation. Adoption of this standard resulted in the recording of operating lease ROU assets and corresponding operating lease liabilities as disclosed below. ROU assets and related lease obligations are recognized at commencement date based on the present value of remaining lease payments over the lease term.

The following table presents the operating lease related assets and liabilities recorded on the balance sheets as of January 31, 204 and July 31, 2023.

	<b>January 31, 2024 (unaudited)</b>	<b>July 31, 2023</b>
<b>Right-of- use assets, net</b>	<b>\$ 756,012</b>	<b>\$ 1,058,822</b>
Operating lease liabilities, current	289,952	415,411
Operating lease liabilities, noncurrent	528,155	689,498
<b>Total operating lease liabilities</b>	<b>\$ 818,107</b>	<b>\$ 1,104,909</b>

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of January 31, 2024 and July 31, 2023:

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
	<b>(unaudited)</b>	
<b>Remaining lease term and discount rate</b>		
Weighted average remaining lease term (years)	3.25	3.35
Weighted average discount rate	4.90%	4.90%

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 8 – OPERATING LEASES (continued)**

The following is a schedule of maturities of lease liabilities as of January 31, 2024 and July 31, 2023:

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
	<b>(unaudited)</b>	
For the six months/twelve months ended July 31, 2024	\$ 201,495	\$ 457,708
For the twelve months ended July 31, 2025	240,000	267,239
For the twelve months ended July 31, 2026	240,000	267,239
For the twelve months ended July 31, 2027	200,000	204,540
Total lease payments	881,495	1,196,726
Less: imputed interest	(63,388)	(91,817)
<b>Present value of lease liabilities</b>	<b>\$ 818,107</b>	<b>\$ 1,104,909</b>

**NOTE 9 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following:

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
	<b>(unaudited)</b>	
Accrued payroll expenses	\$ 361,699	\$ 212,953
Rental deposit payable	66,000	66,000
Others	118	14,187
	<b>\$ 427,817</b>	<b>\$ 293,140</b>

**NOTE 10 – DEFERRED REVENUE**

As of January 31, 2024 and July 31, 2023, the balance of deferred revenue represented the Company's contract liabilities, including payments received in advance of providing consulting services which will be recognized as revenue as the Company completed the performances. As of January 31, 2024 and July 31 2023, the Company had deferred revenues of \$nil and \$70,000, respectively.

For the three months ended January 31, 2024 and 2023, no advance from customer balance as of July 31, 2023 and 2022 were recognized as revenues, respectively. For the six months ended January 31, 2024 and 2023, \$nil and \$20,785 of advance from customer balance as of July 31, 2023 and 2022 were recognized as revenues, respectively.

For the three and six months ended January 31, 2024, \$nil and \$70,000 of advance from customer balance as of July 31, 2023 was recognized as other income, respectively.

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 11 – RELATED PARTY TRANSACTIONS**

*1) Nature of relationships with related parties*

The table below sets forth the major related parties and their relationships with the Company, with which the Company entered into transactions during the three and six months ended January 31, 2024 and 2023, or recorded balances as of January 31, 2024 and July 31, 2023:

<b>Name</b>	<b>Relationship with the Company</b>
Huaya*	Wholly owned by Mr. Pishan Chi, the former Chief Executive Officer of the Company
Asia International Securities Exchange Co., Ltd.	Wholly owned by Mr. Jun Liu, the Chief Executive Officer of the Company
Zachary Group	Wholly owned by Mr. Jun Liu, the Chief Executive Officer of the Company

*2) Transactions with related parties*

For the three and six months ended January 31, 2024, the Company repaid loans of \$nil and \$17,710 to Asia International Securities Exchange Co., Ltd. The loans were interest free and was repayable on demand. As of the date of this report, the Company did not repay the loans. As of January 31, 2024, the Company had payables of \$712,258 due to the related party.

For the three and six months ended January 31, 2023, the Company make a loan of \$nil and \$100,000 to Huaya to support its operations. The loan was interest free and was repayable on demand. Huaya made repayments of \$20,000 and \$1,500, respectively, for the six months ended January 31, 2024 and 2023, respectively.

In June 2022, the Company entered into an office lease agreement with Zachary Group. Pursuant to the agreement, the Company would lease the office space for a lease term of 5 years, matured in May 2027. The monthly rental fee was \$20,000, payable on a monthly basis. For the three months ended January 31, 2024 and 2023, the Company recorded rental expenses of \$60,000 and \$ 60,000, respectively. For the six months ended January 31, 2024 and 2023, the Company recorded rental expenses of \$120,000 and \$120,000, respectively.

*3) Balances with related parties*

As of January 31, 2024 and July 31, 2023, the balances due from related parties were as follows:

	<b>January 31, 2024 (unaudited)</b>	<b>July 31, 2023</b>
<b>Accounts receivable*:</b>		
Asia International Securities Exchange Co., Ltd.	\$ -	\$ 600,000
	<u>\$ -</u>	<u>\$ 600,000</u>
<b>Other receivable*:</b>		
Huaya	\$ 20,539	\$ 40,539
	<u>\$ 20,539</u>	<u>\$ 40,539</u>

\* As of July 31, 2023, the balance due from related parties were repayable on demand. The Company expected to collect the outstanding receivables from related parties before July 31, 2024.

(a) During the year ended July 31, 2023, the Company provided full provision of \$762,000 against accounts receivable due from Huaya because the management assessed the collection was remote.

As of January 31, 2024 and July 31, 2023, the balances due to related parties were as follows:

	<b>January 31, 2024 (unaudited)</b>	<b>July 31, 2023</b>
<b>Other payables:</b>		
Asia International Securities Exchange Co., Ltd.	\$ 712,258	\$ 729,968
	<u>\$ 712,258</u>	<u>\$ 729,968</u>

**ATIF HOLDINGS LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 12 – TAXES**

The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled.

*British Virgin Islands*

Under the current laws of the British Virgin Islands, the Company and ATIF Investment are not subject to tax on income or capital gains in the British Virgin Islands. Additionally, upon payments of dividends to the shareholders, no British Virgin Islands withholding tax will be imposed.

*USA*

For the US jurisdiction, ATIF Inc., ATIF BC, ATIF BM, and ATIF BD are subject to federal and state income taxes on its business operations. The federal tax rate is 21% and state tax rate is 8.84%. The Company also evaluated the impact from the recent tax reforms in the United States, including the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and Health and Economic Recovery Omnibus Emergency Solutions Act (“HERO Act”), which both were passed in 2020, no material impact on the Company is expected based on the analysis. The Company will continue to monitor the potential impact going forward.

For the six months ended January 31, 2024, the Company did not incur income tax expenses. For the six months ended January 31, 2023, the Company incurred income tax expenses of \$566,957.

The Company follows ASC 740, “Income Taxes”, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company’s deferred tax assets primarily derived from the net operating loss (“NOL”). For the three and six months ended January 31, 2024, the Company suffered net operating losses due to limited number of customers for ATIF’s consulting service. The Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of the deferred tax assets by a valuation allowance to the extent it believes a portion or all of the deferred tax assets will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience, expectation of future income, the carry forward periods available for tax reporting purposes, and other relevant factors. As of January 31, 2024 and July 31, 2023, management believes that the realization of the deferred tax assets appears to be uncertain and may not be realizable in the near future. Therefore, a 100% valuation allowance has been provided against the deferred tax assets.

*Uncertain tax positions*

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Interest and penalties related to uncertain tax positions are recognized and recorded as necessary in the provision for income taxes. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. There were no uncertain tax positions as of January 31, 2024 and July 31, 2023 and the Company does not believe that its unrecognized tax benefits will change over the next twelve months.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### NOTE 13 – CONTINGENCIES

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

#### *Pending Legal Proceeding with Boustead Securities, LLC (“Boustead”)*

On May 14, 2020, Boustead filed a lawsuit against the Company and LGC for breaching the underwriting agreement Boustead had with each of the Company and LGC, in which Boustead was separately engaged as the exclusive financial advisor to provide financial advisory services to the Company and LGC.

In April 2020, the Company acquired 51.2% equity interest in LGC after LGC terminated its efforts to launch an IPO on its own. Boustead alleged that the acquisition transaction between the Company and LGC was entered into during the tail period of the exclusive agreement between Boustead and the Company, and therefore deprived Boustead of compensation that Boustead would otherwise have been entitled to receive under its exclusive agreement with the Company and LGC. Therefore, Boustead is attempting to recover from the Company an amount equal to a percentage of the value of the transaction it conducted with LGC.

Boustead’s Complaint alleges four causes of action against the Company, including breach of contract; breach of the implied covenant of good faith and fair dealing; tortious interference with business relationships and quantum meruit.

On October 6, 2020, ATIF filed a motion to dismiss Boustead’s Complaint pursuant to Federal Rule of Civil Procedure 12(b)(6) and 12(b)(5). On October 9, 2020, the United States District Court for the Southern District of New York directed Boustead to respond to the motion or amend its Complaint by November 10, 2020. Boustead opted to amend its complaint and filed the amended complaint on November 10, 2020. Boustead’s amended complaint asserts the same four causes of action against ATIF and LGC as its original complaint. The Company filed another motion to dismiss Boustead’s amended complaint on December 8, 2020.

On August 25, 2021, the United States District Court for the Southern District of New York granted ATIF’s motion to dismiss Boustead’s first amended complaint. In its order and opinion, the United States District Court for the Southern District of New York allowed Boustead to move for leave to amend its causes of action against ATIF as to breach of contract and tortious interference with business relationships, but not breach of the implied covenant of good faith and fair dealing and quantum meruit. On November 4, 2021, Boustead filed a motion seeking leave to file a second amended complaint to amend its cause of action for Breach of Contract. The Court granted Boustead’s motion for leave and Boustead filed the second amended complaint on December 28, 2021 alleging only breach of contract and dropping all other causes of action alleged in the original complaint. On January 18, 2022, the Company filed a motion to dismiss Boustead’s second amended complaint. Boustead filed its opposition on February 1, 2022 and the Company replied on February 8, 2022.

On July 6, 2022, the Court denied our motion to dismiss the second amended complaint. Thereafter, on August 3, 2022, the Company filed a motion to compel arbitration of Boustead’s claims in California. Briefing on the Company’s motion to compel concluded on August 23, 2022. Since the agreement between ATIF and Boustead contains a valid arbitration clause that applies to Boustead’s breach of contract claim, and the parties have not engaged in discovery, on February 14, 2023, the Court ordered that ATIF’s motion to compel arbitration is granted and this case is stayed pending arbitration.

On March 10, 2023, Boustead, filed Demand for Arbitration against ATIF (the Respondent) before JAMS in California and the assigned JAMS case Ref. No. is 5220002783. On May 25, 2023, ATIF filed its answer to deny Boustead’s Demand for Arbitration, which was unsuccessful and the arbitration process was initiated. The arbitrator ordered a motion to be filed by Boustead for a determination of contract interpretation, prior to extensive discovery into issues such as the alleged merits and damages, and to determine whether the contract interpretation should allow the matter to further proceed. Boustead had filed the Motion for Contract Interpretation Determination. ATIF filed its opposition to that Motion on October 16, 2023. The hearing on the motion was held on November 8, 2023, during which the arbitrator extended the hearing to February 29, 2024. The arbitrator also established December 15, 2023, as the deadline for Boustead to submit its reply regarding the contract interpretation issues raised by the Company. Simultaneously, the Company was granted until February 12, 2024, to present its response brief. That hearing was then continued and is now scheduled for March 19, 2024.

Our management believes it is premature to assess and predict the outcome of this pending arbitration.

#### *Pending Legal Proceeding with J.P Morgan Securities LLC (“JPMS”)*

On December 4, 2023, the Company, together with ATIF Inc., ATIF-1 GP, LLC, Jun Liu and Zhiliang received a correspondence from Morgan, Lewis & Bockius LLP on behalf of its client JPMS. The correspondence concerns a potential lawsuit against each of the aforementioned entities and individuals with respect to JPMS’s assertion that it is entitled to recover \$5,064,160 in damages plus interest and attorneys’ fees relating to a stock transaction by ATIF-1 GP, LLC.

On December 22, 2023, J.P Morgan Securities LLC (“JPMS”) filed a lawsuit in the Superior Court of California, County of Orange, bearing Case Number 30-2023-01369978-CU-FR-CJC against ATIF Holdings Limited (“Holdings”), ATIF Inc., ATIF-1 GP, LLC (ATIF-1 GP”), and two officers of Holdings and ATIF Inc., Jun Liu and Zhiliang “Ian” Zhou, alleging and asserting that it is entitled to recover \$5,064,160 in damages plus interest and attorneys’ fees relating to a stock transaction by ATIF-1 GP.

The management assessed the Company would not be liable for the claim because it sold ATIF-1 GP, LLC in August 2022. The parties have agreed to attempt to mediate the dispute before proceeding to litigation. The mediation is scheduled for May 6, 2024.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read together with the Company’s annual report on Form 10-K for the fiscal year ended July 31, 2023 and the consolidated financial statements and notes included therein (collectively, the “2023 Annual Report”), as well as the Company’s condensed consolidated financial statements and the related notes included in this report. Pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K promulgated by the SEC, in preparing this discussion and analysis, the Company has presumed that readers have access to and have read the disclosure under the same heading contained in the 2023 Annual Report. This discussion and analysis contains forward-looking statements. Please see the cautionary note regarding these statements at the beginning of this report.*

### **Business Overview**

We offer financial consulting services to small and medium-sized enterprise customers in Asia and North America. Our goal is to become an international financial consulting company with clients and offices throughout Asia. Since our inception in 2015, the focus of our consulting business has been providing comprehensive going-public consulting services designed to help small and medium-sized enterprises (“SME”) become public companies on suitable markets and exchanges.

On January 4, 2021, we established an office in California, USA, through our wholly owned subsidiary ATIF Inc., a California corporation, and launched, in addition to our business consulting services, additional service models consisting of asset management, investment holding and media services to expand our business with a flexible business concept to achieve a goal of high growth revenue and strong profit growth.

### ***Our financial consulting services***

Currently we provide consulting services to the companies based in North America seeking listing in U.S.. We launched our consulting services in 2015. Our aim was to assist Chinese enterprises by filling the gaps and forming a bridge between PRC companies and overseas stock markets and exchanges. We have a team of qualified and experienced personnel with legal, regulatory, and language expertise in several jurisdictions outside the U.S. Our services were designed to help SMEs in China achieve their goal of becoming public companies. In May 2022, we shifted our geographic focus from China to North America emphasizing on helping mid and small companies in North America become public companies on the U.S. capital markets. We would create a going public strategy for each client based on many factors of such client, including our assessment of the client’s financial and operational situations, market conditions, and the client’s business and financing requirements. Since our inception and up to the date of this report, we have successfully helped three Chinese enterprises to be quoted on the U.S. OTC markets and are currently assisting our other clients in their respective going public efforts. Most of our current and past clients have been Chinese, U.S. and Mexican companies, and we plan to expand our operations to other Asian countries, such as Malaysia, Vietnam, and Singapore with continuing focus on the North American market in the coming years.

For the six months ended January 31, 2024 and 2023, we provided consulting services to four and four customers, respectively, which primarily engaged the Company to provide consulting services relating to going public in the US through IPO, reverse merger and acquisition. We plan to focus on providing consulting services to customers based in North America and other areas and intend to continue cooperating with Huaya, which was one of our subsidiaries before May 2022, in connection with the expansion and provision of our business services in China.

Our total revenue generated from consulting services was \$25,000 and approximately \$1.9 million for the three months ended January 31, 2024 and 2023, respectively. Our total revenue generated from consulting services was approximately \$0.2 million and

\$2.2 million for the six months ended January 31 2024 and 2022, respectively.

## Key Factors that Affect our Business

We believe the following key factors may affect our consulting services:

### *Our business success depends on our ability to acquire customers effectively.*

Our customer acquisition channels primarily include our sales and marketing campaigns and existing customer referrals. In order to acquire customers, we have made significant efforts in building mutually beneficial long-term relationships with local government, academic institutions, and local business associations. If any of our current customer acquisition channels becomes less effective, we are unable to continue to use any of these channels or we are not successful in using new channels, we may not be able to attract new customers in a cost-effective manner or convert potential customers into active customers or even lose our existing customers to our competitors. To the extent that our current customer acquisition and retention efforts become less effective, our service revenue may be significantly impacted, which would have a significant adverse effect on our revenues, financial condition, and results of operations.

### *Our consulting business faces strong market competition.*

We are currently facing intense market competition. Some of our current or potential competitors have significantly more financial, technical, marketing, and other resources than we do and may be able to devote greater resources to the development, promotion, and support of their customer acquisition and retention channels. In light of the low barriers to entry into the financial consulting industry, we expect more players to enter this market and increase the level of competition. Our ability to differentiate our services from other competitors will have a significant impact on our business growth in the future.

### *Our business depends on our ability to attract and retain key personnel.*

We rely heavily on the expertise and leadership of our directors and officers to maintain our core competence. As our business scope increases, we expect to continue to invest significant resources in hiring and retaining a deep talent pool of financial consultancy professionals. Our ability to sustain our growth will depend on our ability to attract qualified personnel and retain our current staff.

## Results of Operations

### *Comparison of Operation Results for the Three Months ended January 31, 2024 and 2023*

The following table summarizes the results of our operations for the three months ended January 31, 2024 and 2023, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such periods.

	For the Three Months ended		Changes	
	January 31, 2024 (unaudited)	January 31, 2023 (unaudited)	Amount Increase (Decrease)	Percentage Increase (Decrease)
Revenues	\$ 25,000	\$ 1,900,000	\$ (1,875,000)	(99)%
<b>Operating expenses:</b>				
Selling expenses	(93,000)	(48,000)	45,000	94%
General and administrative expenses	(479,516)	(518,112)	(38,596)	(7)%
<b>Total operating expenses</b>	<b>(572,516)</b>	<b>(566,112)</b>	<b>6,404</b>	<b>1%</b>
<b>(Loss) income from operations</b>	<b>(547,516)</b>	<b>1,333,888</b>	<b>(1,881,404)</b>	<b>(141)%</b>
<b>Other income (expenses):</b>				
Interest income (expenses), net	23	(57,973)	(57,996)	(100)%
Other income, net	59,185	62,903	(3,718)	(6)%

Gain from investment in trading securities	80,670	39,120	41,550	106%
<b>Total other income (expenses), net</b>	<b>139,878</b>	<b>44,050</b>	<b>95,828</b>	<b>218%</b>
<b>(Loss) income before income taxes</b>	<b>(407,638)</b>	<b>1,377,938</b>	<b>(1,785,576)</b>	<b>(130)%</b>
Income tax provision	-	(566,957)	(566,957)	(100)%
<b>Net (loss) income</b>	<b>\$ (407,638)</b>	<b>\$ 810,981</b>	<b>\$ (1,218,619)</b>	<b>(150)%</b>

**Revenues.** Our total revenue decreased by approximately \$1.9 million from approximately \$1.9 million for the three months ended January 31, 2023, to \$25,000 in three months ended January 31, 2024.

During the three months ended January 31, 2024, the Company provided listing related consulting services for one customer and earned consulting service fees of \$25,000. During the three months ended January 31, 2023, we completed both phase I and phase II services for three customers and earned consulting service fees of \$1.9 million.

**Selling expenses.** Our selling expenses primarily consisted of advertising and promotion expenses. For the three months ended January 31, 2024, our selling expenses was \$93,000, representing an increase of \$45,000, or 94%, from \$48,000 for the three months ended January 31, 2023. The increase was primarily due to an increase of amortization expenses of \$45,000 for TV promotion videos.

As a percentage of sales, our absolute amount of selling expenses were negative 372% and 3% of our total revenues for the three months ended January 31, 2024 and 2023, respectively.

**General and administrative expenses.** Our general and administrative expenses primarily consisted of salary and welfare expenses of management and administrative team, office expenses, operating lease expenses, and professional fees such as audit and legal fees. Our general and administrative expenses kept stable at approximately \$0.5 million for the three months ended January 31, 2024 and 2023.

As a percentage of sales, our general and administrative expenses were 1,918% and 27% of our total revenues for the three months ended January 31, 2024 and 2023, respectively.

**Gain from investment in trading securities.** Gain from investments in trading securities represented unrealized gains from investment in trading securities, which was measured at market price. For the three months ended January 31, 2024 and 2023, the Company recorded a gain from investment in trading securities of \$80,670 and \$39,120, respectively.

**Income taxes.** We are incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, we are not subject to tax on income or capital gains in the British Virgin Islands. Additionally, upon payments of dividends to the shareholders, no British Virgin Islands withholding tax will be imposed.

ATIF Inc, ATIF BD, ATIF BC and ATIF BM were established in the U.S and are subject to federal and state income taxes on its business operations. The federal tax rate is 21% and state tax rate is 8.84%. We also evaluated the impact from the recent tax reforms in the United States, including the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and Health and Economic Recovery Omnibus Emergency Solutions Act ("HERO Act"), which were both passed in 2020. No material impact on the ATIF US is expected based on our analysis. We will continue to monitor the potential impact going forward.

Income tax expense was \$nil for the three months ended January 31, 2024 due to net operating loss incurred in the quarter. Income tax expense was \$566,957 for the three months ended January 31, 2023, which arose from net income earned by ATIF BC.

**Net (loss) income.** As a result of foregoing, net loss was approximately \$0.4 million for the three months ended January 31, 2024, a change of approximately 1.2 million from net income of \$0.8 million for the same period ended January 31, 2023.

### Comparison of Operation Results for the Six Months ended January 31, 2024 and 2023

The following table summarizes the results of our operations for the six months ended January 31, 2024 and 2023, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such periods.

	<u>For the Six Months ended</u>		<u>Changes</u>	
	<u>January 31,</u>	<u>January 31,</u>	<u>Amount</u>	<u>Percentage</u>
	<u>2024</u>	<u>2023</u>	<u>Increase</u>	<u>Increase</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Revenues	\$ 150,000	\$ 2,200,000	\$ (2,050,000)	(93)%
<b>Operating expenses:</b>				
Selling expenses	(165,000)	(53,000)	112,000	211%
General and administrative expenses	(1,189,295)	(1,081,008)	108,287	10%
<b>Total operating expenses</b>	<b>(1,354,295)</b>	<b>(1,134,008)</b>	<b>220,287</b>	<b>19%</b>
<b>Loss (income) from operations</b>	<b>(1,204,295)</b>	<b>1,065,992</b>	<b>(2,270,287)</b>	<b>(213)%</b>
<b>Other income (expenses):</b>				
Interest income, net	23	1,874	(1,851)	(99)%
Other income, net	199,905	122,403	77,502	63%
(Loss) gain from investment in trading securities	(28,734)	19,116	(47,850)	(250)%
Gain from disposal of subsidiaries	-	56,038	(56,038)	(100)%
<b>Total other income, net</b>	<b>171,194</b>	<b>199,431</b>	<b>(28,237)</b>	<b>(14)%</b>
<b>(Loss) income before income taxes</b>	<b>(1,033,101)</b>	<b>1,265,423</b>	<b>(2,298,524)</b>	<b>(182)%</b>
Income tax provision	-	(566,957)	(566,957)	(100)%
<b>Net (loss) income</b>	<b>\$ (1,033,101)</b>	<b>\$ 698,466</b>	<b>\$ (1,731,567)</b>	<b>(248)%</b>

**Revenues.** Our total revenue decreased by approximately \$2.0 million from approximately \$2.2 million for the six months ended January 31, 2023, to approximately \$0.2 million in six months ended January 31, 2024.

During the six months ended January 31, 2024, the Company provided listing related consulting services for four customers and earned consulting service fees of approximately \$0.2 million. During the six months ended January 31, 2023, we completed phase I and phase II services for four customers and earned consulting service fees of \$2.2 million.

**Selling expenses.** Our selling expenses primarily consisted of advertising and promotion expenses. For the six months ended January 31, 2024, our selling expenses was \$165,000, representing an increase of \$112,000, or 211%, from \$53,000 for the six months ended January 31, 2023. The increase was primarily due to an increase of amortization expenses of \$112,000 for TV promotion videos..

As a percentage of sales, our absolute amount of selling expenses were 110% and 2% of our total revenues for the six months ended January 31, 2024 and 2023, respectively.

**General and administrative expenses.** Our general and administrative expenses primarily consisted of salary and welfare expenses of management and administrative team, office expenses, operating lease expenses, and professional fees such as audit and legal fees. Our general and administrative expenses increased from approximately \$1.1 million in the six months ended January 31, 2023 to \$1.2 million in the same period of 2024, which was primarily due to an increase of payroll expenses of approximately \$0.1 million for other staff as a result of increase in headcount.

As a percentage of sales, our general and administrative expenses were 793% and 49% of our total revenues for the six months ended January 31, 2024 and 2023, respectively.

**(Loss) gain from investment in trading securities.** (Loss) gain from investments in trading securities represented unrealized gains or losses from investment in trading securities, which was measured at market price. For the six months ended January 31, 2024 and 2023, the Company recorded a loss from investment in trading securities of \$28,734 and a gain from investment in trading securities of \$19,116, respectively.

**Gain from disposal of subsidiaries.** For the six months ended January 31, 2023, the Company reported a gain of \$0.06 million from disposal of ATIF GP. For six months ended January 31, 2024, the Company did not record gain or loss from disposal of subsidiaries.

**Income taxes.** We are incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, we are not subject to tax on income or capital gains in the British Virgin Islands. Additionally, upon payments of dividends to the shareholders, no British Virgin Islands withholding tax will be imposed.

ATIF Inc, ATIF BD, ATIF BC and ATIF BM were established in the U.S and are subject to federal and state income taxes on its business operations. The federal tax rate is 21% and state tax rate is 8.84%. We also evaluated the impact from the recent tax reforms in the United States, including the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and Health and Economic Recovery Omnibus Emergency Solutions Act (“HERO Act”), which were both passed in 2020. No material impact on the ATIF US is expected based on our analysis. We will continue to monitor the potential impact going forward.

Income tax expense was \$nil for the six months ended January 31, 2024 due to net operating loss incurred. Income tax expense was \$566,957 for the six months ended January 31, 2023, which arose from net income earned by ATIF BC.

**Net (loss) income.** As a result of foregoing, net loss was approximately \$1.0 million for the six months ended January 31, 2024, a change of \$1.7 million from net income of approximately \$0.7 million for the six months ended January 31, 2023.

#### *Capital Commitments and Contingencies*

We had no material capital commitments as of January 31, 2024.

From time to time, we are a party to various legal actions arising in the ordinary course of business. We accrue costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

#### *Off-Balance Sheet Commitments and Arrangements*

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in product development services with us.

### **Liquidity and Capital Resources**

To date, we have financed our operations primarily through cash flows from operations, working capital loans from our major shareholders, proceeds from our initial public offering, and equity financing through public offerings of our securities. We plan to support our future operations primarily from cash generated from our operations and cash on hand.

#### **Liquidity and Going concern**

For the three and six months ended January 31, 2024, the Company reported a net loss of approximately \$0.4 million and approximately \$1.0 million, respectively. For the three and six months ended January 31, 2023, the Company reported a net income of approximately \$0.8 million and \$0.7 million, respectively. For the six months ended January 31, 2024 and 2023, the Company reported operating cash outflows of \$17,413 and approximately \$0.8 million, respectively.

In assessing the Company's ability to continue as a going concern, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments.

As of January 31, 2024, the Company had cash of approximately \$0.1 million, accounts receivable of approximately \$0.5 million, and short-term investments of approximately \$0.5 million, which were highly liquid. On the other hand, the Company had current liabilities of approximately \$1.5 million, among which approximately \$0.7 million were due to related parties. The balance due to related parties are payable on demand and may be extended. The Company's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources.

Because of losses from operations, working capital deficit, and the requirement of additional capital to fund our current operating plan at January 31, 2024, these factors indicate the existence of an uncertainty that raises substantial doubt about the Company's ability to continue as a going concern.

The condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

We have not declared nor paid any cash dividends to our shareholders. We do not plan to pay any dividends out of our restricted net assets as of January 31, 2024.

We have limited financial obligations denominated in U.S. dollars, thus the foreign currency restrictions and regulations in the PRC on the dividends distribution will not have a material impact on our liquidity, financial condition, and results of operations.

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

	<b>For the Six Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash used in operating activities	\$ (17,413)	\$ (754,714)
Net cash used in investing activities	(449,457)	(166,036)
Net decrease in cash	(466,870)	(920,750)
Cash, beginning of period	606,022	1,750,137
<b>Cash, end of period</b>	<b>\$ 139,152</b>	<b>\$ 829,387</b>

### ***Operating Activities***

Net cash used in operating activities was \$17,413 in the six months ended January 31, 2024. Net cash used in operating activities was primarily comprised of net loss of approximately \$1.0 million, adjusted for amortization of right of use assets of approximately \$0.2 million, and net changes in our operating assets and liabilities, principally comprising of (i) a decrease of accounts receivable of approximately \$0.2 million and \$0.6 million, respectively, due from third party customers and related party customers as a result of collection of consulting fees from customers..

Net cash used in operating activities was approximately \$0.8 million in the six months ended January 31, 2023. Net cash used in operating activities was primarily comprised of net income of approximately \$0.7 million, adjusted for amortization of right of use assets of approximately \$0.2 million, and net changes in our operating assets and liabilities, principally comprising of an increase of accounts receivable of approximately \$1.7 million as we provided financial consulting services to more customers during the six months ended January 31, 2023.

### ***Investing Activities***

Net cash used in investing activities was approximately \$0.4 million in the six months ended January 31, 2024, primarily used in investment in trading securities of approximately \$0.4 million.

Net cash used in investing activities was approximately \$0.2 million in the six months ended January 31, 2023, primarily used in loans of approximately \$0.1 million to a related party, and investment in trading securities of approximately \$0.1 million.

### ***Financing Activities***

For the six months ended January 31, 2024 and 2023, the Company did not report cash inflows or outflows from financing activities.

### **Critical Accounting Estimate**

We prepare our condensed consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. As a result, management is required to routinely make judgments and estimates about the effects of matters that are inherently uncertain. Actual results may differ from these estimates under different conditions or assumptions.

Critical accounting policy is both material to the presentation of financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on financial condition or results of operations. Accounting estimates and assumptions may become critical when they are material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on financial condition or operating performance.

Critical accounting estimates are estimates that require us to make assumptions about matters that were highly uncertain at the time the accounting estimate were made and if different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely occur from period to period, have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Due to the level of activity and lack of complex transactions, we believe there are currently no critical accounting policies and estimates that affect the preparation of our financial statements.

### **Recently Issued Accounting Pronouncements**

A list of recently issued accounting pronouncements that are relevant to us is included in note 3 to our condensed consolidated financial statements included elsewhere in this report.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

As a smaller reporting company we are not required to provide the information required by this item.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of January 31, 2024. Based on that evaluation, our management has concluded that, as of January 31, 2024, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our conclusion is based on the fact that we do not have sufficient full-time accounting and financial reporting personnel with appropriate levels of accounting knowledge and experience to monitor the daily recording of transactions, to address complex U.S. GAAP accounting issues and the related disclosures under U.S. GAAP. In addition, there was a lack of sufficient documented financial closing procedure and a lack of risk assessment in accordance with COSCO 2013 framework. Our management is currently in the process of evaluating the steps necessary to remediate the ineffectiveness, such as (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework, and (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, and (iii) establishing an internal audit function and standardizing the Company's semi-annual and year-end closing and financial reporting processes.

#### **Changes in Internal Control over Financial Reporting**



Except as disclosed above, there have been no changes in our internal controls over financial reporting that occurred during fiscal quarter ended January 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**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. Except for the litigation disclosed below, we are not currently a party to any legal or arbitration proceeding the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business, operating results, cash flows, or financial condition.

On May 14, 2020, Boustead filed a lawsuit against the Company and Leaping Group Co., Ltd. a limited liability organized under the laws of Cayman Islands (“LGC”) for breaching the underwriting agreement Boustead had with each of the Company and LGC, in which Boustead was separately engaged as the exclusive financial advisor to provide financial advisory services to the Company and LGC.

In April 2020, the Company acquired 51.2% equity interest in LGC after LGC terminated its efforts to launch an IPO on its own. Boustead alleged that the acquisition transaction between the Company and LGC was entered into during the lockup period of the exclusive agreement between Boustead and LGC, and therefore deprived Boustead of compensation that Boustead would otherwise have been entitled to receive under its exclusive agreement with LGC. Therefore, Boustead is attempting to recover from the Company an amount equal to a percentage of the value of the transaction it conducted with LGC.

Boustead’s Complaint alleged four causes of action against the Company, including breach of contract; breach of the implied covenant of good faith and fair dealing; tortious interference with business relationships and quantum meruit.

On October 6, 2020, we filed a motion to dismiss Boustead’s Complaint pursuant to Federal Rule of Civil Procedure 12(b)(6) and 12(b)(5). On October 9, 2020, the United States District Court for the Southern District of New York directed Boustead to respond to the motion or amend its Complaint by November 10, 2020. Boustead opted to amend its complaint and filed the amended complaint on November 10, 2020. Boustead’s first amended complaint asserted the same four causes of action against LGC and us as its original complaint. We filed another motion to dismiss Boustead’s amended complaint on December 8, 2020.

On August 25, 2021, the United States District Court for the Southern District of New York granted ATIF’s motion to dismiss Boustead’s first amended complaint. In its order and opinion, the United States District Court for the Southern District of New York allowed Boustead to move for leave to amend its causes of action against us as to breach of contract and tortious interference with business relationships, but not breach of the implied covenant of good faith and fair dealing and quantum meruit. On November 4, 2021, Boustead filed a motion seeking leave to file a second amended complaint to amend its cause of action for Breach of Contract. The Court granted Boustead’s motion for leave and Boustead filed the second amended complaint on December 28, 2021 alleging only breach of contract and dropping all other causes of action alleged in the original complaint. On January 18, 2022, the Company filed a motion to dismiss Boustead’s second amended complaint. Boustead filed its opposition on February 1, 2022 and the Company replied on February 8, 2022.

On July 6, 2022, the Court denied our motion to dismiss the second amended complaint. Thereafter, on August 3, 2022, the Company filed a motion to compel arbitration. Briefing on the Company’s motion to compel concluded on August 23, 2022. Since the agreement between ATIF and Boustead contains a valid arbitration clause that applies to Boustead’s breach of contract claim, and the parties have not engaged in discovery, on February 14, 2023, the Court ordered that ATIF’s motion to compel arbitration is granted and this case is stayed pending arbitration.

On March 10, 2023, Boustead, filed Demand for Arbitration against ATIF (the Respondent) before JAMS in California and JAMS case Ref. No. is 5220002783. On May 25, 2023, ATIF filed its answer to deny Boustead's Demand for Arbitration, which was unsuccessful and the arbitration process was initiated. The arbitrator ordered a motion to be filed by Boustead for a determination of contract interpretation, prior to extensive discovery into issues such as the alleged merits and damages, and to determine whether the contract interpretation should allow the matter to further proceed. Boustead had filed the Motion for Contract Interpretation Determination. ATIF filed its opposition to that Motion on October 16, 2023. The hearing on the motion was held on November 8, 2023, during which the arbitrator extended the hearing to February 29, 2024. The arbitrator also established December 15, 2023, as the deadline for Boustead to submit its reply regarding the contract interpretation issues raised by the Company. Simultaneously, the Company was granted until February 12, 2024, to present its response brief. That hearing was then continued and is now scheduled for March 19, 2024.

Our management believes it is premature to assess and predict the outcome of this pending arbitration.

On December 4, 2023, the Company, together with ATIF Inc., ATIF-1 GP, LLC, Jun Liu and Zhiliang received a correspondence from Morgan, Lewis & Bockius LLP on behalf of its client JPMS. The correspondence concerns a potential lawsuit against each of the aforementioned entities and individuals with respect to JPMS's assertion that it is entitled to recover \$5,064,160 in damages plus interest and attorneys' fees relating to a stock transaction by ATIF-1 GP, LLC.

On December 22, 2023, J.P Morgan Securities LLC ("JPMS") filed a lawsuit in the Superior Court of California, County of Orange, bearing Case Number 30-2023-01369978-CU-FR-CJC against ATIF Holdings Limited ("Holdings"), ATIF Inc., ATIF-1 GP, LLC (ATIF-1 GP"), and two officers of Holdings and ATIF Inc., Jun Liu and Zhiliang "Ian" Zhou, alleging and asserting that it is entitled to recover \$5,064,160 in damages plus interest and attorneys' fees relating to a stock transaction by ATIF-1 GP.

The management assessed the Company would not be liable for the claim because it sold ATIF-1 GP, LLC in August 2022. The parties have agreed to attempt to mediate the dispute before proceeding to litigation. The mediation is scheduled for May 6, 2024.

#### **ITEM 1A. RISK FACTORS**

As a smaller reporting company we are not required to provide the information required by this item.

#### **ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Not applicable.

#### **ITEM 3. DEFAULT UPON SENIOR SECURITIES.**

Not applicable.

#### **ITEM 4. MINE SAFETY DISCLOSURE.**

Not applicable.

#### **ITEM 5. OTHER INFORMATION.**

##### **5.01. Employment Agreement with Mr. Jun Liu, Chief Executive Officer of the Company**

On March 13, 2024, the Company entered into an amended and restated employment agreement with Mr. Jun Liu, which amended the employment agreement dated July 6, 2019 by and between the Company and Mr. Liu. Pursuant to the terms of the amended and restated employment agreement, Mr. Jun Liu's employment as the Chief Executive Officer shall continue from January 31, 2024 for an initial term of three (3) years, which shall be extended for successive 3 year terms unless terminated by either the Company or Mr. Jun Liu with one (1) month advance notice. The monthly compensation payable to Mr. Jun Liu as a director and Chief Executive Officer will be \$1.

#### **ITEM 6. EXHIBITS**

The following exhibits are filed herewith:

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.1	<a href="#">Amended and Restated Employment Agreement with Mr. Jun Liu</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
32.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* The certifications attached as Exhibits 32.1 and 32.2 accompany this quarterly report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

## 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.

### ATIF HOLDINGS LIMITED

March 18, 2024

By: /s/ Jun Liu

Jun Liu  
Chief Executive Officer

### ATIF HOLDINGS LIMITED

March 18, 2024

By: /s/ Yue Ming

Yue Ming  
Chief Financial Officer