

VITAXEL GROUP LTD

FORM 10-Q (Quarterly Report)

Filed 06/13/18 for the Period Ending 03/31/18

| | |
|-------------|--------------------------------|
| Telephone | 60321432889 |
| CIK | 0001623590 |
| Symbol | VXEL |
| SIC Code | 5000 - Wholesale-Durable Goods |
| Industry | Fishing & Farming |
| Sector | Consumer Non-Cyclicals |
| Fiscal Year | 12/31 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2018**

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: **333-201365**

VITAXEL GROUP LIMITED
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

30-0803939
(I.R.S. Employer Identification No.)

Wisma Ho Wah Genting, No. 35
Jalan Maharajalela, 50150
Kuala Lumpur, Malaysia
(Address of principal executive offices)

603.2143.2889
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging Growth Company

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

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

As of June 8, 2018, the registrant has 54,087,903 shares of common stock outstanding.

VITAXEL GROUP LIMITED
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED March 31, 2018
TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| <u>PART I - FINANCIAL INFORMATION</u> | |
| <u>Item 1.</u> <u>Financial Statements (unaudited)</u> | 3 |
| <u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 20 |
| <u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 23 |
| <u>Item 4.</u> <u>Controls and Procedures</u> | 23 |
| <u>PART II - OTHER INFORMATION</u> | |
| <u>Item 1.</u> <u>Legal Proceedings</u> | 24 |
| <u>Item 1A.</u> <u>Risk Factors</u> | 24 |
| <u>Item 2.</u> <u>Unregistered Sales of Equity Securities And Use of Proceeds</u> | 24 |
| <u>Item 3.</u> <u>Defaults Upon Senior Securities</u> | 24 |
| <u>Item 4.</u> <u>Mine Safety Disclosures</u> | 24 |
| <u>Item 5.</u> <u>Other Information</u> | 24 |
| <u>Item 6.</u> <u>Exhibits</u> | 25 |
| <u>SIGNATURES</u> | 26 |

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

| | <u>PAGE</u> |
|--|-------------|
| Consolidated Balance Sheets as of March 31, 2018 (unaudited) and December 31, 2017 (audited) | 4 |
| Consolidated Statements of Income and Comprehensive Income for the Three-month Ended March 31, 2018 and March 31, 2017 (unaudited) | 5 |
| Consolidated Statements of Cash Flows for the Three-month Ended March 31, 2018 and March 31, 2017 (unaudited) | 6 |
| Notes to Consolidated Financial Statements (unaudited) | 7 |

Vitaxel Group Limited
CONSOLIDATED BALANCE SHEETS
As of March 31, 2018 and December 31, 2017
(In U.S.dollars)

| | As of March 31, 2018 (Unaudited) | As of December 31, 2017 (Audited) |
|--|--|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,413,442 | \$ 691,199 |
| Amount due from related parties | 415,616 | 136,010 |
| Inventories | 26,795 | 28,525 |
| Other receivables, prepayments and other current assets | 22,306 | 44,305 |
| Total Current Assets | 1,878,159 | 900,039 |
| NON-CURRENT ASSETS | | |
| Long-term investments | 638,786 | — |
| Property, plant and equipment, net | 235,862 | 231,058 |
| Total Non-Current Assets | 874,648 | 231,058 |
| TOTAL ASSETS | \$ 2,752,807 | \$ 1,131,097 |
| CURRENT LIABILITIES | | |
| Amounts due to related parties | \$ 4,600,150 | \$ 2,370,003 |
| Commission payables | 158,640 | 152,871 |
| Accounts payable | — | 31,406 |
| Accrued expense and other payables | 398,379 | 492,813 |
| Total Current Liabilities | 5,157,169 | 3,047,093 |
| TOTAL LIABILITIES | 5,157,169 | 3,047,093 |
| Commitments and Contingencies (Note 10) | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock par value \$0.0001: 1,000,000 shares authorized; and 0 outstanding | — | — |
| Common stock par value \$0.0001: 70,000,000 shares authorized; 54,087,903 and 54,087,903 shares issued and outstanding, respectively | 5,409 | 5,409 |
| Additional paid-in capital | 4,749,798 | 4,749,798 |
| Accumulated deficit | (7,179,203) | (6,776,474) |
| Accumulated other comprehensive income | 19,634 | 105,271 |
| Total Stockholders' Equity | (2,404,362) | (1,915,996) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,752,807 | \$ 1,131,097 |

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

Vitaxel Group Limited
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS
(In U.S. dollars)
(Unaudited)

| | For the Three Months Ended March 31, | |
|---|---|----------------|
| | 2018 | 2017 |
| REVENUE | \$ 12,715 | \$ 483,473 |
| COST OF REVENUE | (2,542) | (138,984) |
| GROSS PROFIT | 10,173 | 344,489 |
| OPERATING EXPENSES | | |
| Selling expense | (681) | (101) |
| General and administrative expenses | (306,936) | (3,936,664) |
| Total Operating Expenses | (307,617) | (3,936,765) |
| LOSS FROM OPERATIONS | (297,444) | (3,592,276) |
| OTHER INCOME/(EXPENSE), NET | | |
| Other Income | — | 10,240 |
| Other Expense | (105,285) | (80) |
| Total Other Income / (Expense), net | (105,285) | 10,160 |
| LOSS BEFORE TAXES | (402,729) | (3,582,116) |
| Income tax expense | — | — |
| Net Loss | \$ (402,729) | \$ (3,582,116) |
| OTHER COMPREHENSIVE LOSS | | |
| Foreign currency translation adjustment | (85,637) | (95,724) |
| TOTAL COMPREHENSIVE LOSS | \$ (488,366) | \$ (3,486,392) |
| Weighted average number of common shares outstanding - basic and diluted | 54,087,903 | 54,087,903 |
| Net Income / (loss) per share | | |
| - basic and diluted | \$ (0.01) | \$ (0.06) |

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

Vitaxel Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars)
(Unaudited)

| | For the Period Ended March 31, | |
|--|--------------------------------|----------------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income / (loss) | \$ (402,729) | \$ (3,582,116) |
| Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities: | | |
| Depreciation – property, plant and equipment | 10,032 | 6,125 |
| Issuance of employee equity incentive plan | — | 3,409,604 |
| Changes in operating assets and liabilities | | |
| Accounts Receivable | — | 1,944 |
| Other receivables, prepayments and other current assets | 21,999 | (16,288) |
| Inventories | 1,730 | 16,582 |
| Amount due from associated company | 11,379 | — |
| Accounts Payable | (31,406) | (6,054) |
| Commission payables | 5,769 | 43,502 |
| Other payables and accrued expenses | (94,434) | 97,163 |
| Net cash used in from operating activities | (477,660) | (29,538) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of short term investments | (638,786) | — |
| Purchase of property, plant and equipment | (14,836) | (12,074) |
| Net cash used in investing activities | (653,622) | (12,074) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Repayments) / Proceeds from directors | (40,491) | 59,911 |
| Proceeds / (Repayments) from related parties | 1,979,653 | (104,764) |
| Net cash provided by (used in) financing activities | 1,939,162 | (44,883) |
| EFFECT OF EXCHANGE RATES ON CASH | (85,637) | 71,484 |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | 722,243 | (15,011) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 691,199 | 105,432 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 1,413,442 | \$ 90,421 |
| SUPPLEMENTAL OF CASH FLOW INFORMATION | | |
| Cash paid for interest expenses | \$ — | \$ — |
| Cash paid for income tax | \$ — | \$ — |

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

Vitaxel Group Limited
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)
(Unaudited)

1. ORGANIZATION AND BUSINESS

Vitaxel Group Limited (formerly Albero, Corp., the “Company”), incorporated in Nevada, is engaged in direct selling industry and online shopping platform primarily through its operating entities in Malaysia.

Vitaxel SDN BHD (“Vitaxel”), was incorporated in Malaysia on August 10, 2012. The Company is primarily engaged in the direct selling industry utilizing a multi-level marketing model with an emphasis on travel, entertainment and lifestyle products and services.

Vitaxel Online Mall SDN BHD (“Vionmall”), was incorporated in Malaysia on September 22, 2015. The Company is primarily in developing online shopping platforms geared to Vitaxel and its members and the third-party suppliers of products and services.

Vitaxel Singapore PTE. Ltd. (“Vitaxel Singapore”) was incorporated in Singapore on February 16, 2016. This subsidiary was disposed on August 21, 2017.

REVERSE ACQUISITION

On January 18, 2016, the Company completed and closed a share exchange (the “Share Exchange”) under a Share Exchange Agreement (the “Share Exchange Agreement”) of the same date among us, Vitaxel SDN BHD, a Malaysian corporation (“Vitaxel”), the shareholders of Vitaxel, Vitaxel Online Mall SBN BHD, a Malaysian corporation (“Vionmall”) and the shareholders of Vionmall pursuant to which Vitaxel and Vionmall each became wholly owned subsidiaries of ours. In the Share Exchange, all of the outstanding shares of Vitaxel and Vionmall were converted into shares of our Common Stock, as described in more detail below.

In connection with the Share Exchange and pursuant to the Split-Off Agreement, we transferred our pre-Share Exchange assets and liabilities to our pre-Share Exchange majority stockholder, in exchange for the surrender by him and cancellation of 3,000,000 shares of our Common Stock

As a result of the Share Exchange and Split-Off, we discontinued our pre-Share Exchange business and acquired the businesses of Vitaxel and Vionmall, and will continue the existing business operations of Vitaxel and Vionmall as a publicly-traded company under the name Vitaxel Group Limited.

In accordance with “reverse acquisition” accounting treatment, our historical financial statements as of period ends, and for periods ended, prior to the acquisition will be replaced with the historical financial statements of Vitaxel and Vionmall prior to the Share Exchange in all future filings with the SEC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information Article 8 of Regulation S-X.

This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Company’s financial statements are expressed in U.S. dollars

In the opinion of management, we have made all adjustments necessary to present a fair statements of the financial position as of March 31, 2018, results of operations for the three months ended March 31, 2018 and 2017, and cash flows for the three months ended March 31, 2018 and 2017. All significant intercompany transactions and balances are eliminated on consolidation.

Fiscal year end is December 31.

Use of estimates

The preparation of unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 periods. Actual results could differ from those estimates.

Foreign currency translation and transactions

The functional currency of the Company is the Malaysian Ringgit (“MYR”) and reporting currency of the Company is United States Dollar “USD”). The financial statements of the Company are translated into USD using the exchange rate as of the balance sheet date for assets and liabilities and average exchange rate for the year for income and expense items. Translation gains and losses are recorded in accumulated other comprehensive income or loss as a component of shareholders’ equity.

Cash and cash equivalents

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

Fair value of financial instruments

FASB ASC 820, “Fair Value Measurement,” specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of March 31, 2018 and December 31, 2017, none of the Company’s assets and liabilities was required to be reported at fair value on a recurring basis. Security investment is valued at closing price reported on the active market on which the individual securities are traded. Carrying values of non-derivative financial instruments, including cash, payables and accrued liabilities, approximate their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the periods presented.

In the first quarter of 2018, we adopted the ASU 2016-01, Financial Instruments — Overall (Subtopic 825-10). Under the new ASC, entities no longer use the cost method of accounting as it was applied before, but it can elect a measurement alternative for equity investments that do not have readily determinable fair values and do not qualify for the practical expedient in ASC 820 to estimate fair value using the NAV per share. After management’s assessment of each of the equity investments, management concluded that investments should be accounted for using measurement alternative. Under the alternative, the Company measures these investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, and the Company has to make a separate election to use the alternative for each eligible investment and has to apply the alternative consistently from period to period until the investment’s fair value becomes readily determinable. ASU further requires that the Company should use prospective method for all equity investments without readily determinable fair values.

Inventories

Inventories are stated at lower of cost or net realizable value, with cost determined on a weighted-average method. The Company writes down its inventory balances for obsolete amounts estimated on an individual basis for the finished goods and the raw material items with large amounts, and by a category basis for low value raw material items.

Long-term investment

Investment in associated Companies - The Company's interests in associated companies are accounted for under equity method under U.S. GAAP. Under the equity method, if the Company's share of losses of an associated company equals or exceeds the amount of investment plus advances made by the Company, the Company ordinarily discontinues including its share of losses and the investment is reported at nil value. If the associated company subsequently reports net income, the Company will resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

Other long-term investments - The Company measures its equity securities without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value in accordance with paragraph 820-10-35-59 at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company shall reassess at each reporting period its equity securities on whether the equity investments qualify to be measured in accordance with paragraph 820-10-35-59.

Property, plant and equipment, net

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

| | |
|------------------------|----------|
| Office equipment | 10 years |
| Computer equipment | 10 years |
| Furniture and fixtures | 10 years |
| Electrical & fitting | 10 years |
| Motor vehicle | 10 years |
| Software and website | 10 years |
| Leasehold improvement | 10 years |

Revenue recognition

The Company recognizes revenue pursuant to FASB Accounting Standards Codification 606 ("ASC 606") *Revenue from Contracts with Customers*, the standard applies five step model (i) The standard applies to a company's contracts with customers (ii) The unit of account for revenue recognition under the new standard is a performance obligation (a good or service) and the performance obligations will be accounted for separately if they are distinct (iii) The transaction price is determined based on the amount of consideration that a company expects to be entitled to from a customer (iv) The transaction price is allocated to all the separate performance obligations in an arrangement, and (v) Revenue will be recognized when an entity satisfies each performance obligation by transferring control of the promised goods or services to the customer. Goods or services can transfer at a point in time or over time.

Product sales – The Company recognizes revenue when it satisfies each performance obligation by transferring control of the goods to the independent members or purchasers of the products. Product sales are recognized net of product returns, discounts and taxes. A reserve for product returns is accrued based on historical experience. There was no deferred revenue accrued as of March 31, 2018 and December 31, 2017.

Membership fee – The Company recognizes the membership fee revenue over the term of the membership, which is 12 months. The revenue will not be recognized until the 10 days cooling-off period is expired. For the period ended March 31, 2018 and 2017, all membership fees were waived by the Company for promotion purpose.

Commission expense

Commission expense incurred by the Company is recognized as cost of revenue and as a liability (commission payable in the unaudited consolidated balance sheet). Commission expense is not recoverable once recognized and is expensed as incurred.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the combined financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

U.S. Corporate Income Tax

The Company is subject to U.S. corporate income tax on its taxable income at a rate of up to 21% for taxable years beginning after December 31, 2017 and U.S. corporate income tax on its taxable income of up to 35% for prior tax years. Recent U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Reform"), was signed into law on December 22, 2017. The U.S. Tax Reform significantly modified the U.S. Internal Revenue Code by, among other things, reducing the statutory U.S. federal corporate income tax rate from 35% to 21% for taxable years beginning after December 31, 2017; limiting and/or eliminating many business deductions; migrating the U.S. to a territorial tax system with a one-time transition tax on a mandatory deemed repatriation of previously deferred foreign earnings of certain foreign subsidiaries; subject to certain limitations, generally eliminating U.S. corporate income tax on dividends from foreign subsidiaries; and providing for new taxes on certain foreign earnings. Taxpayers may elect to pay the one-time transition tax over eight years, or in a single lump-sum payment. See Note 8 – Income Tax.

To the extent that portions of its U.S. taxable income, such as Subpart F income or global intangible low-taxed income ("GILTI"), are determined to be from sources outside of the U.S., subject to certain limitations, the Company may be able to claim foreign tax credits to offset its U.S. income tax liabilities. Any remaining liabilities are accrued in the Company's unaudited consolidated statements of comprehensive income and estimated tax payments are made when required by U.S. law.

Uncertain Tax Positions

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes are classified as a component of the provisions for income taxes. The Company did not recognize any income tax due to uncertain tax positions or incur any interest and penalties related to potential underpaid income tax expense as of March 31, 2018 and December 31, 2017.

Comprehensive loss

Comprehensive loss includes net loss and cumulative foreign currency translation adjustments and is reported in the unaudited Consolidated Statement of Income and Comprehensive Loss.

Loss per share

The loss per share is computed using the weighted average number of shares outstanding during the fiscal years. For the period ended March 31, 2018 and 2017, there was no dilutive effect attributable to net loss.

Related party transactions

A related party is generally defined as:

- (i) any person that holds the Company's securities including such person's immediate families,
- (ii) the Company's management,
- (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or
- (iv) anyone who can significantly influence the financial and operating decisions of the Company.
- (v) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity
- (vi) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Recently issued accounting pronouncements

Financial instrument – Credit Losses: In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): The amendments in this Update require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The amendments broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss, which will be more decision useful to users of the financial statements. ASU 2016-13 is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is allowed as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is still evaluating the effect that this guidance will have on the Company's consolidated financial statements and related disclosures.

Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-2"), which provides guidance on lease amendments to the FASB Accounting Standard Codification. This ASU will be effective for us beginning in January 1, 2019. We are currently in the process of evaluating the impact of the adoption of ASU 2016-2 on our consolidated financial statements.

The Company believes that there were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

Reclassification: Certain reclassifications have been made to the prior period amounts to conform to the current period's presentation.

3. GOING CONCERN

These unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

For the period ended March 31, 2018, the Company reported a net loss of \$402,729 and negative working capital of \$3,279,010. The Company had an accumulated deficit of \$7,179,203 as of March 31, 2018 due to the fact that the Company incurred losses during the year period ended March 31, 2018.

The continuation of the Company as a going concern is dependent upon improving the profitability and the continuing financial support from its stockholders or other capital sources. Management believes that the continuing financial support from the existing shareholders or external debt financing will provide the additional cash to meet the Company's obligations as they become due.

These consolidation financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of the Company's ability to continue as a going concern.

4. OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets consist of the following:

| | As of March 31, 2018 | As of December 31, 2017 |
|-----------------|----------------------------|-------------------------------|
| Deposits (1) | \$ 11,683 | \$ 11,157 |
| Prepayments (2) | 2,859 | 1,679 |
| Others (3) | 7,764 | 31,469 |
| | <u>\$ 22,306</u> | <u>\$ 44,305</u> |

- (1) Deposits represented payments for rental, utilities, and construction funds to government department.
- (2) Prepayments mainly consists of prepayment for insurance and IT related fees.
- (3) Others mainly consists other miscellaneous payments

5. LONG-TERM INVESTMENTS

Long-term investment consists of the following:

| | As of March 31, 2018 | As of December 31, 2017 |
|--|-------------------------|----------------------------|
| Investment in associated companies | | |
| Vitaxel Corporation Thailand Co., Ltd (1) | | |
| Cost | \$ 27,539 | \$ 27,539 |
| Share of loss in investment in an associated company | (25,716) | (25,716) |
| Foreign currency translation adjustment | (1,823) | (1,823) |
| Total investment in associated companies | <u>—</u> | <u>—</u> |
| Other long-term investments | | |
| Ho Wah Genting Group Ltd (2) | \$ 638,786 | \$ — |
| Total other long-term investments | <u>\$ 638,786</u> | <u>\$ —</u> |
| Total Long-Term Investments | <u>\$ 638,786</u> | <u>\$ —</u> |

- (1) On April 20, 2016, the Company invested 958,000 Thai Baht or \$27,539 to Vitaxel Corporation Thailand Co., Ltd., a company registered in Thailand, and holds 47.99% shares of it. The long-term investment is accounted using the equity method.
- (2) The President of the Company, Dato' Lim Hui Boon, is also the President of Ho Wah Genting Group Limited. The relation are disclosed in note 9 RELATED PARTY TRANSACTIONS.

During the period ended March 31, 2018, the Company has acquired 7,663,246 shares of common stock of Ho Wah Genting Group Limited, which is listed in U.S. OTC Market (stock code: HWGG), with consideration of \$638,786 from the shareholders of HWGG.

In absence of active market participants and liquidity for Ho Wah Genting Group Limited stock based on the review of the trading history of this stock, the management concluded that there is no active market for the stock. A quoted market price in an inactive market is not representative of fair value of the stock. Thus the management deemed that the stock has no readily determinable fair value.

The Company has recognized the cost of the investment in Ho Wah Genting Group Limited at its cost of \$638,786 and accounts for the investment as equity investments without readily determinable fair values. In view the acquisition of this investment was made during the period ended March 31, 2018, the management has assessed that there were no significant adverse changes affecting the value of the shares that will lead to impairment of the investment.

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

| | As of March 31, 2018 | As of December 31, 2017 |
|--------------------------------|-------------------------------------|--|
| Office equipment | \$ 38,209 | \$ 36,471 |
| Computer equipment | 107,925 | 102,862 |
| Furniture and fittings | 8,354 | 7,978 |
| Electrical & fitting | 392 | 375 |
| Motor vehicle | 17,784 | 16,983 |
| Software and website | 13,291 | 11,580 |
| Renovations | 113,990 | 108,860 |
| | <u>299,945</u> | <u>285,109</u> |
| Less: Accumulated depreciation | (64,083) | (54,051) |
| Balance at end of period/year | <u>\$ 235,862</u> | <u>\$ 231,058</u> |

Depreciation expenses charged to the statements of operations for the periods ended March 31, 2018 and 2017 were \$10,032 and \$6,125 respectively.

7. **ACCRUALS AND OTHER PAYABLES**

Accruals and other payables consist of the following:

| | <u>As of March 31, 2018</u> | <u>As of December 31, 2017</u> |
|-------------------------------|-------------------------------------|--|
| Provisions and accruals | \$ 40,596 | \$ 148,326 |
| Others (1) | 357,783 | 344,487 |
| Balance at end of period/year | <u>\$ 398,379</u> | <u>\$ 492,813</u> |

(1) Other payables mainly consist of members allocated redemption points and commission payable.

8. **INCOME TAX**

Provision for income taxes consisted of the following:

| | <u>For the three months ended</u> | |
|--------------------------------------|-----------------------------------|---------------------------|
| | <u>March 31, 2018</u> | <u>March 31, 2017</u> |
| Current: | | |
| Provision for Malaysian income tax | \$ — | \$ — |
| Provision for Singaporean income tax | | |
| Provision for U.S. income tax | — | — |
| Deferred: | | |
| Provision for Malaysian income tax | — | — |
| Provision for Singaporean income tax | — | — |
| Provision for U.S. income tax | — | — |
| | <u>\$ —</u> | <u>\$ —</u> |

Malaysia

The Company's two main operating subsidiaries, Vitaxel SDN BHD and Vitaxel Online Mall SDN BHD are companies incorporated in Malaysia. They recorded a loss before income tax of \$346,388 and \$207,412 for the period ended March 31, 2018 and 2017 respectively. A reconciliation of the provision for income taxes with amounts determined by applying the Malaysian income tax rate of 24% for the period ended March 31, 2018 and 2017, respectively, to income before income taxes is as follows:

| | <u>For the period ended</u> | |
|---------------------------------|-----------------------------|---------------------------|
| | <u>March 31, 2018</u> | <u>March 31, 2017</u> |
| Profit (loss) before income tax | \$ (346,388) | \$ (207,412) |
| Permanent difference | 346,388 | 207,412 |
| Taxable income | \$ — | \$ — |
| Malaysian income tax rate | 24% | 24% |
| Current tax expenses | \$ — | \$ — |
| Less: Valuation allowance | — | — |
| Income tax expenses | <u>\$ —</u> | <u>\$ —</u> |

United States of America

Vitaxel Group Limited is a company incorporated in State of Nevada and recorded a loss before income tax of \$56,341 and \$3,754,641 for the period ended March 31, 2018 and 2017 respectively. A reconciliation of the provision for income taxes with amounts determined by applying the United States Federal income tax rate of 21% for the period ended March 31, 2018 and 34% for the period ended March 31, 2017, respectively, to income before income taxes is as follows:

| | For the year ended | |
|---------------------------------|---------------------------|---------------------------|
| | March 31, 2018 | March 31, 2017 |
| Profit (loss) before income tax | \$ (56,341) | \$ (3,754,641) |
| Permanent difference | 56,341 | 3,754,641 |
| Taxable income | \$ — | \$ — |
| United States income tax rate | 21% | 34% |
| Current tax expenses | \$ — | \$ — |
| Less: Valuation allowance | — | — |
| Income tax expenses | <u>\$ —</u> | <u>\$ —</u> |

U.S. Corporate Income Tax

The Company's management has yet to evaluate the effect of the U.S. Tax Reform on Vitaxel Group Limited. Management may update its judgment of that effect based on its continuing evaluation and on future regulations or guidance issued by the U.S Department of the Treasury, and specific actions the Company may take in the future.

9. RELATED PARTY TRANSACTIONS

| | As of March 31, 2018 | As of December 31, 2017 |
|---|----------------------------|-------------------------------|
| Amount due from related parties | | |
| Ho Wah Genting Berhad (1) | \$ 6,643 | \$ — |
| Ho Wah Genting Group Sdn Berhad (2) | 293,907 | 18,149 |
| Beedo Sdn Bhd (3) | 23,421 | 14,837 |
| Balance at end of year | <u>\$ 323,971</u> | <u>\$ 32,986</u> |
| Amount of due from an associated company | | |
| Vitaxel Corporation (Thailand) Limited (4) | \$ 91,645 | \$ 103,024 |
| Balance at end of year | <u>91,645</u> | <u>103,024</u> |
| Total Amount due from related parties | <u>\$ 415,616</u> | <u>\$ 136,010</u> |
| Amount of due to related parties | | |
| Dato' Lim Hui Boon (5) | \$ — | \$ 40,491 |
| Ho Wah Genting Holiday Sdn Bhd (6) | 1,442 | 1,703 |
| Ho Wah Genting Property Sdn Bhd (7) | 953 | — |
| Genting Highlands Taxi Services Sdn Bhd (8) | 8,493 | 11,820 |
| VSpark Malaysia Sdn Bhd (9) | 5,201 | 4,967 |
| Grande Legacy Inc. (10) | 4,584,061 | 2,311,022 |
| Balance at end of year | <u>4,600,150</u> | <u>2,370,003</u> |
| Total Amount due to related parties | <u>\$ 4,600,150</u> | <u>\$ 2,370,003</u> |

The related party balances are unsecured, interest-free and repayable on demand.

- (1) The President of the Company, Dato' Lim Hui Boon, is also the Group President of Ho Wah Genting Berhad, a company listed in Bursa Malaysia Main Market.

The Company recognized an expense of rent totalling \$15,330 and \$14,239 during the periods ended March 31, 2018 and March 31, 2017 respectively. Of the total rent, \$5,110 and \$4,746 was paid to Ho Wah Genting Berhad during the period ended March 31, 2018 and March 31, 2017 respectively, and \$10,220 and \$9,493 was paid to its affiliate, Malaysia-Beijing Travel Services Sdn Bhd during the period ended March 31, 2018 and March 31, 2017 respectively.

The operating lease commitment to Ho Wah Genting Berhad as of March 31, 2018 was \$15,330. The lease commitment are disclosed in note 10 COMMITMENTS AND CONTINGENCIES below under the heading Operation Commitments.

- (2) The President of the Company, Dato' Lim Hui Boon, is also the Group President of Ho Wah Genting Group Sdn Berhad, subsidiary of Ho Wah Genting Group Ltd, a company listed on the US OTC Market. Amount owing to Ho Wah Genting Group Sdn Berhad in prior year were advances, whereby settlement has been performed in current year.
- (3) A director of a subsidiary (Vitaxel Online Mall Sdn Bhd), Liew Jenn Lim, is also a director of Beedo SDN BHD.

The Company recognized an expense of \$0 and \$13,504 pertaining for website maintenance expense during the period March 31, 2018 and during the period March 31, 2017 respectively, which was charged by its related party, Beedo Sdn. Bhd. The balances due from Beedo Sdn Bhd was due to discount received by the Company.

- (4) The Company recognized product sales of \$0 and \$440,000 to an associated company, Vitaxel Corp. (Thailand) Limited during the period ended March 31, 2018 and period ended March 31, 2017 respectively.
- (5) The amount due to the President of the Company, Dato' Lim Hui Boon, were advances made to the Company.

- (6) A former director of the Company, Lim Chun Hoo, is also a director of Ho Wah Genting Holiday Sdn Bhd. On March 31, 2017, Lim Chun Hoo has resigned from the Company.

The Company recognized an expense of \$17,906 and \$59,644 pertaining to event, traveling and accommodation expenses during the periods ended March 31, 2018 and March 31, 2017 respectively, which was charged by its related party, Ho Wah Genting Holiday Sdn. Bhd.

- (7) Ho Wah Genting Property Sdn Bhd is also a subsidiary of Ho Wah Genting Group Ltd. The amount due were due to advertisement charges billed by Ho Wah Genting Property Sdn Bhd to the Company.

- (8) A director of the Company, Lim Wee Kiat, is also a director of Genting Highlands Taxi Services Sdn Bhd and of Vitaxel Sdn Bhd.

- (9) A director of a subsidiary (Vitaxel Online Mall Sdn Bhd), Liew Jenn Lim, is also a director of VSpark Malaysia Sdn Bhd.

The Company has engaged with VSpark Malaysia Sdn Bhd during the year for marketing purposes.

- (10) A director of the Company, Leong Yee Ming, is also a director of Grande Legacy Inc.

On January 5, 2017, the Company executed a license agreement with Grande Legacy Inc (“GL”). The agreement grants GL exclusive use of Vitaxel Marks to operate a Vitaxel Business in countries other than Malaysia, Singapore and Thailand. However, GL is still in the process of obtaining online payment gateway for its credit card sales, GL is currently engaging Vitaxel Sdn Bhd, a wholly-owned subsidiary of the Company, to collect credit card sales proceeds on behalf.

On January 22, 2018, the Company has acquired 100% of Grande Legacy Inc. Refer note 13 SUBSEQUENT EVENTS for further details on the acquisition.

10. COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Company has no capital commitments.

Operation Commitments

The lease commitment to Ho Wah Genting Berhad where it is known in Malaysia as “Tenancy Agreement” has a tenure of 3 years started from January 1, 2016 and expiring on December 31, 2018.

| | |
|-------------------------------|------------------|
| Year ending December 31, 2018 | 15,330 |
| Total | <u>\$ 15,330</u> |

11. VITAXEL GROUP LIMITED SHAREHOLDERS' EQUITY

Vitaxel Group Limited has 1,000,000 shares authorized for preferred stock, with 0 outstanding during the period ended March 31, 2018 and December 31, 2017.

The Company also has 70,000,000 shares authorized for common stock, with 54,087,903 outstanding during the period ended March 31, 2018 and December 31, 2017.

Summary of Vitaxel Group Limited outstanding shares:

| | Number of Outstanding Shares (in thousands) | |
|----------------------------------|---|-------------------------|
| | As of March 31, 2018 | As of December 31, 2017 |
| Common stock: | | |
| Balance at beginning of year (1) | 54,087,903 | 50,987,250 |
| Equity incentive plan issuance | — | 3,100,290 |
| Effect from reverse stock split | — | 363 |
| Balance at end of year | <u>54,087,903</u> | <u>54,087,903</u> |

(1) The outstanding shares were adjusted retrospectively due to the reverse stock split that has been completed during the year.

Reverse Stock split

On May 25, 2017, the Board of Directors of the Company authorized and approved an amendment (the "Amendment") to Vitaxel's Amended and Restated Articles of Incorporation, which authorized a one hundred-to-one reverse stock split (the "Reverse Split") of Vitaxel's outstanding common stock, par value \$0.000001 per share, with a record date of June 12, 2017 (the "Record Date").

As of the effective date of the Reverse Split, every 100 outstanding shares of the Company's common stock automatically became one share of common stock. The Company's authorized shares of common stock were reduced in proportion to the reverse split ratio, from 7,000,000,000 shares of authorized common stock prior to the effective date to 70,000,000 shares of authorized common stock on the effective date, and from 100,000,000 shares of authorized preferred stock prior to the effective date to 1,000,000 shares of authorized preferred stock on the effective date. Additionally, as part of the Reverse Split, the par value of both the Company's common stock and its preferred stock was increased from \$0.000001 per share to \$0.0001 per share. Immediately prior to the Reverse Split the Company had 5,408,754,000 common shares issued and outstanding and had approximately 54,087,540 common shares issued and outstanding immediately after the Reverse Split.

We expect that the Reverse Stock Split will (i) increase the marketability and liquidity of our common stock; (ii) address - liquidity of our common stock; (iii) address the reluctance of brokerage firms and institutional investors to recommend lower priced stocks to their clients or to hold in their own portfolios; and (iv) enable us to maintain the quotation of our common stock on the OTC Markets, Inc. QB Tier.

Separately, on May 30, 2017, the Board of Directors of the Company authorized and approved a related increase in the par value of Vitaxel common stock from \$0.000001 to \$0.0001.

On June 13, 2017, the Company received approval from the Financial Industry Regulatory Authority ("FINRA") to effectuate the Reverse Split at the open of business on June 15, 2017.

Equity Compensation Plans

On January 18, 2016, our board of directors adopted, and on the same date, our stockholders holding a majority of our outstanding shares of Common Stock approved, the 2016 Equity Incentive Plan ("2016 Plan"), which reserves a total of 10,000,000 shares of our Common Stock for issuance under the 2016 Plan. In December 2017, the Board of Directors of the Company increased the number of shares under the 2016 Plan to 40,000,000 shares.

During the year ended December 31, 2017, the Company has issued 3,100,290 shares of non-restricted stock under the 2016 Plan pursuant to Form S-8 filed with SEC on October 25, 2016.

12. LOSS PER SHARE

The Company has adopted ASC Topic No. 260, “Earnings Per Share,” (“EPS”) which requires presentation of basic and diluted EPS on the face of the income statement, and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. In the accompanying financial statements, basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year.

The following table sets forth the computation of basic and diluted earnings per share:

| | For the period ended | |
|--|----------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Net loss applicable to common shares | \$ (402,729) | \$ (3,582,116) |
| Weighted average common shares outstanding (Basic and diluted) | 54,087,903 | 54,087,903 |
| | \$ (0.01) | \$ (0.07) |

The Company has no potentially dilutive securities, such as options or warrants, currently issued and outstanding.

13. SUBSEQUENT EVENTS

The Company has evaluated the period after the balance sheet date through the day that the financial statements were issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements except the following:

The Company entered into a Share Sale Agreement (the “Agreement”) effective December 15, 2017 with Lim Hui Sing and Leong Yee Ming (together, the “Sellers”) and Vitaxel Sdn. Bhd., a wholly-owned subsidiary of the Company (the “Purchaser”), as previously described in the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2017. Pursuant to the terms of the Agreement, the Sellers will sell to the Purchaser all their shares in Grande Legacy Inc., a British Virgin Islands company (“Grande Legacy”), so that the Company shall become the indirect owner of all of the issued and outstanding shares of the capital stock of Grande Legacy. In consideration for such sale, the Company shall issue to each of the Sellers 37,500,000 shares of the Registrant’s common stock.

On January 3, 2018 the parties to the Agreement executed and delivered an amendment (the “Amendment”) to the Agreement which provided that the acquisition of Grande Legacy shall close upon:

- i. The completion of the financial statements of Grande Legacy being audited
- ii. That within 30 days of the shareholders of the Company approving the amendment to the Articles of Incorporation of the Company for increasing the amount of shares that the 75,000,000 shares be issued to the Sellers.

As of date of this financial statement, the transaction has not been closed due to condition (ii) above shall only be completed upon approval by shareholders during the Annual Meeting which will be held on July 27, 2018.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statement Regarding Forward-Looking Information

The following management's discussion and analysis should be read in conjunction with the historical financial statements and the related notes thereto contained in this report. The management's discussion and analysis contains forward-looking statements, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. The Company's actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this report.

The following discussion highlights the Company's results of operations and the principal factors that have affected our financial condition, as well as our liquidity and capital resources for the periods described, and provides information that management believes is relevant for an assessment and understanding of the statements of financial condition and results of operations presented herein. The following discussion and analysis are based on the Company's unaudited financial statements contained in this Quarterly Report, which we have prepared in accordance with United States generally accepted accounting principles. You should read this discussion and analysis together with such financial statements and the related notes thereto.

As used in this Quarterly Report, the terms "we," "us," "Company," and "our" mean Vitaxel Group Limited, unless otherwise indicated.

Overview; Recent Events

We are a global direct selling, multi-level marketing ("MLM") company offering travel, entertainment, lifestyle and other products and services principally through electronic commerce commonly referred to as e-commerce. Through Vionmall, which went live in January 2016 for Vitaxel members and April 2016 for general public, we employ online shopping web sites for retail sales direct to consumers. We do not develop or manufacture the products and services which we offer. Our principal offices are located in Kuala Lumpur, Malaysia.

Unlike the traditional MLM business model where most of the business model concentrates on particular products and/or services, our business model allows our members to own a sub-domain through Vionmall where they can promote their own products and services (separate from our products and services). We believe that this model is the first of its kind in Asia.

As of March 31, 2018, we had approximately 7,884 members, with approximately 4,110 members in Malaysia, approximately 2,253 members in Thailand, and approximately 1,170 members in Singapore.

As of March 31, 2018, we have expanded our network member base into approximately 12 Asian countries. While sales within our local markets may fluctuate due to economic, market and regulatory conditions, competitive pressures, political and social instability or for Company-specific reasons, we believe that our geographic diversity and intended further geographic diversity mitigates and will continue to mitigate our exposure to any one particular market.

Results of Operations –Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

The following discussion should be read in conjunction with our unaudited consolidated financial statements in Item 1, *Financial Statements*, for the three months ended March 31, 2018 and 2017 and the related notes thereto.

Revenue

We recognized \$12,715 and \$483,473 revenues for the periods ended March 31, 2018 and 2017, respectively. The decrease in revenue is attributable to a decrease in our sales due to fewer customers in the current period compared to the same period last year.

Cost of Sales

Cost of sales for the period ended March 31, 2018 was \$2,542 compared to \$138,984 for the period ended March 31, 2017. The decrease is comparable to the decrease of revenue and attributable to lower sales.

Gross Profit

Gross profit for the period ended March 31, 2018 was \$10,173 compared to \$344,489 for the period ended March 31, 2017. The decrease is attributable to the lower revenue for the current period as compared to the same period last year.

Operating Expenses

For the period ended March 31, 2018, we incurred total operating expenses in the amount of \$307,617, composed of selling expenses of \$681 and general and administrative expenses totalling \$306,936. Whilst, for the period ended March 31, 2017, we incurred total operating expenses in the amount of \$3,936,765 which was composed of selling expenses of \$101 and general and administrative expenses totalling 3,936,664. The increase of \$580 or 574% for the selling expenses, along with the decrease of \$3,629,728 or 92% for the administrative expenses, caused total operating expenses to decrease by \$3,629,148 or 92%.

Liquidity and Capital Resources

As of March 31, 2018, we had a cash balance of \$1,413,442. During the period ended March 31, 2018, net cash used in operating activities totalled \$477,660. Net cash used in investing activities totalled \$653,622. Net cash used in financing activities during the period totalled \$1,939,162. The resulting change in cash for the period was an increase of \$722,243, which was primarily due to sales during the period.

As of March 31, 2018, we had current liabilities of \$5,157,169, which was composed of amount due to related parties of \$4,600,150, commission payables of \$158,640 and accruals and other payable of \$398,379.

As of March 31, 2017, we had a cash balance of \$90,421. During the period ended March 31, 2017, net cash used in operating activities totalled \$29,538. Net cash used in investing activities totalled \$12,074. Net cash used in financing activities during the year totalled \$44,883. The resulting change in cash for the period was and decrease of \$15,011, which was primarily due to cash outflow from operating activities, investing activities and financing activities.

As of December 31, 2017, we had current liabilities of \$3,047,093, which was composed of amount due to related parties of \$2,370,003, commission payables of \$152,871, account payable of \$31,406 and accruals and other payables of \$492,813.

We had net liabilities of \$2,404,362 and \$1,915,996 as of March 31, 2018 and December 31, 2017, respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements including arrangements that would affect our liquidity, capital resources, market risk support and credit risk support or other benefits.

Critical Accounting Policies and Estimates

There are no material changes from the critical accounting policies set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Please refer to Note 2 Summary of Significant Accounting Policies of the Financial Statements for disclosures regarding the critical accounting policies related to our business.

Contractual Obligations

Not applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

We maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management including our principal executive and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Based upon their evaluation of those controls and procedures performed as of the end of the period covered by this report, our principal executive and principal financial officer concluded that our disclosure controls and procedures were not effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

As required by Rule 13a-15(e), our management has carried out an evaluation, with the participation and under the supervision of Leong Yee Ming, our Chief Executive Officer, and Lim Wee Kiat, our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of March 31, 2018. Based upon, and as of the date of this evaluation, Leong Yee Ming, our Chief Executive Officer, and Lim Wee Kiat, our Chief Financial Officer determined that our weaknesses:

- a) We did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of GAAP commensurate with our complexity and our financial accounting and reporting requirements. However, we have engaged an independent auditor to review and improve our internal control on financial statements. As a result, there is no a lack of monitoring of the financial reporting process.

Changes in Internal Controls

During the fiscal quarter ended March 31, 2018, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be a defendant and plaintiff in various legal proceedings arising in the normal course of our business. We are currently not a party to any material legal proceedings or government actions, including any bankruptcy, receivership, or similar proceedings. In addition, we are not aware of any known litigation or liabilities involving the operators of our properties that could affect our operations. Furthermore, as of the date of this Quarterly Report, our management is not aware of any proceedings to which any of our directors, officers, or affiliates, or any associate of any such director, officer, affiliate, or security holder is a party adverse to our company or has a material interest adverse to us.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following exhibits are included as part of this report:

| Exhibit Number | Description of Exhibit |
|-----------------------------|---|
| <u>31.1</u> | <u>Certification of Principal Executive Officer and Pursuant to Rule 13a-14</u> |
| <u>31.2</u> | <u>Certification of Principal Financial Officer Pursuant to Rule 13a-14</u> |
| <u>32.1</u> | <u>CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act</u> |
| <u>32.2</u> | <u>CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act</u> |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

SIGNATURES

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

VITAXEL GROUP LIMITED

June 13, 2018

By: /s/ Leong Yee Ming

Leong Yee Ming, Chief Executive Officer (principal executive officer)

VITAXEL GROUP LIMITED

June 13, 2018

By: /s/ Lim Wee Kiat

Lim Wee Kiat, Chief Financial Officer (principal financial and accounting officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002**

I, Leong Yee Ming, certify that:

1. I have reviewed this annual report on Form 10-Q of Vitaxel Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 13, 2018

By: /s/ Leong Yee Ming
Name: Leong Yee Ming
Title: Chief Executive Officer
(Principal Executive Officer)

I, Lim Wee Kiat, certify that:

1. I have reviewed this annual report on Form 10-Q of Vitaxel Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 13, 2018

By: /s/ Lim Wee Kiat
Name: Lim Wee Kiat
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Vitaxel Group Limited (the "Company") for the quarter ended March 31, 2018 (the "Report"), I, Leong Yee Ming, Chief Executive Officer, certify as follows:

- A) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and
- B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: June 13, 2018

By: /s/ Leong Yee Ming
Name: Leong Yee Ming
Title: Chief Executive Officer
(Principal Executive Officer)

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Vitaxel Group Limited (the "Company") for the quarter ended March 31, 2018 (the "Report"), I, Lim Wee Kiat, Chief Financial Officer, certify as follows:

- A) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and
- B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: June 13, 2018

By: /s/ Lim Wee Kiat
Name: Lim Wee Kiat
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)
