

VITAXEL GROUP LTD

FORM 10-Q (Quarterly Report)

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

(Mark One)

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

For the quarterly period ended **September 30, 2019**

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 November 4, 2019, the registrant has one class of common equity, and the number of shares issued and outstanding of such common equity was 54,087,903.

FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED September 30, 2019
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FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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VITAXEL GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(In U.S. dollars)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 54,913	\$ 1,004,397
Account receivable, net	—	82
Amount due from related parties	5,014	4,928
Inventories	41,829	32,585
Other receivables, prepayments and other current assets	24,459	55,954
Total current assets	<u>126,215</u>	<u>1,097,946</u>
Non-current assets		
Property and equipment, net	141,431	141,730
Total non-current assets	<u>141,431</u>	<u>141,730</u>
TOTAL ASSETS	<u>\$ 267,646</u>	<u>\$ 1,239,676</u>
CURRENT LIABILITIES		
Amounts due to related parties	\$ 4,240,355	\$ 4,862,363
Commission payables	133,658	138,118
Accounts payable	—	10,414
Accrued expense and other payables	333,835	381,514
Total current liabilities	<u>4,707,848</u>	<u>5,392,409</u>
TOTAL LIABILITIES	<u>4,707,848</u>	<u>5,392,409</u>
Commitments and Contingencies (Note 8)		
STOCKHOLDERS' EQUITY (DEFICIT)		
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	(9,406,885)	(9,111,400)
Accumulated other comprehensive income	211,476	203,460
Total stockholders' equity (deficit)	<u>(4,440,202)</u>	<u>(4,152,733)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 267,646</u>	<u>\$ 1,239,676</u>

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

VITAXEL GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)
(In U.S. dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
REVENUE	\$ 41,054	\$ 8,250	\$ 60,214	\$ 31,338
COST OF REVENUE	(39,351)	(3,859)	(52,898)	(10,929)
GROSS PROFIT	1,703	4,391	7,316	20,409
OPERATING EXPENSES				
Selling expense	(174)	151	(208)	(7,244)
General and administrative expenses	(210,545)	(325,562)	(733,279)	(1,249,118)
Total operating expenses	(210,719)	(325,411)	(733,487)	(1,256,362)
LOSS FROM OPERATIONS	(209,016)	(321,020)	(726,171)	(1,235,953)
OTHER INCOME/(EXPENSE), NET				
Other income	178,565	160,374	437,203	154,833
Other expense	(5,882)	(592,228)	(6,517)	(712,953)
Total Other income / (expense), net	172,683	(431,854)	430,686	(558,120)
Net Loss	<u>\$ (36,333)</u>	<u>\$ (752,874)</u>	<u>\$ (295,485)</u>	<u>\$ (1,794,073)</u>
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment	1,295	77,578	8,016	106,520
TOTAL COMPREHENSIVE LOSS	<u>\$ (35,038)</u>	<u>\$ (675,296)</u>	<u>\$ (287,469)</u>	<u>\$ (1,687,553)</u>
Weighted average number of common shares outstanding - basic and diluted	54,087,903	54,087,903	54,087,903	54,087,903
Net Loss per share - basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>

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

VITAXEL GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In U.S. dollars)

	For the Period Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (295,485)	\$ (1,794,073)
Items not involving cash:		
Depreciation – property and equipment	22,875	18,796
Impairment on amount due from associate company	—	596,324
Impairment on amount due from related parties	—	21,864
Impairment on amount due from associate company	—	150,535
Property, plant and equipment written off	2,247	3,327
Changes in operating assets and liabilities		
Accounts Receivable	82	(507)
Other receivables, prepayments and other current assets	31,495	(33,055)
Inventories	(9,244)	8,130
Accounts Payable	(10,414)	(13,454)
Commission payables	(4,460)	(6,597)
Accrued expense and other payables	(47,679)	(127,027)
Net cash used in operating activities	(310,583)	(1,175,737)
CASH FLOWS FROM INVESTING ACTIVITIES		
Amount due from associated company	—	(47,511)
Purchase of long term investments	—	(596,324)
Purchase of property and equipment	(24,823)	(582)
Net cash used in investing activities	(24,823)	(644,417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments to directors	—	(40,491)
(Repayments to) / Proceeds from related parties	(612,520)	3,238,095
Net cash provided by (used in) financing activities	(612,520)	3,197,604
EFFECT OF EXCHANGE RATES ON CASH	(1,558)	106,521
NET CHANGE IN CASH AND CASH EQUIVALENTS	(949,484)	1,483,971
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,004,397	691,199
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 54,913	\$ 2,175,170
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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In U.S. dollars)

1. ORGANIZATION AND BUSINESS

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

Vitaxel SDN BHD (“Vitaxel SB”), was incorporated in Malaysia on August 10, 2012. Vitaxel SB 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. Vionmall is primarily engaged in developing online shopping platforms geared to Vitaxel and its members and the third-party suppliers of products and services.

2. UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information under Article 8 of Regulation S-X. They do not include all information and foot notes required by U.S. GAAP for complete financial statements. Except as disclosed herein, there have been no material changes from the information disclosed in the notes to the consolidated financial statement for the year ended December 31, 2018, included in the Company’s Form 10-K filed with the Security and Exchange Commission (“SEC”). The interim unaudited consolidated financial statements should be read in conjunction with those audited consolidated financial statements included in Form10-K.

In the opinion of management, the Company has made all adjustments necessary to present a fair statements of the financial position as of September 30, 2019, results of operations for the nine months ended September 30, 2019 and 2018, and cash flows for the nine months ended September 30, 2019 and 2018. All significant intercompany transactions and balances are eliminated on consolidation. The results of operations for the nine months ended September 30, 2019 are not necessarily indicative of the results of operations for the entire fiscal year.

Recent Pronouncements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which improves fair value disclosure requirements by removing disclosures that are not cost beneficial, clarifying disclosures’ specific requirements and adding relevant disclosure requirements. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted and an entity can choose to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company is still evaluating the impact that the adoption of ASU 2018-13 will have on the consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management, to have a material impact on the Company’s present and future consolidated financial statements.

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 September 30, 2019, the Company reported a net loss of \$295,485 and had negative working capital of \$4,581,633. The Company had an accumulated deficit of \$9,406,885 as of September 30, 2019 due to the fact that the Company incurred losses during the years prior to September 30, 2019.

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 unaudited consolidated 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, PREPAYMENTS AND OTHER ASSETS

Other receivables, prepayments and other assets consist of the following:

	September 30, 2019	December 31, 2018
Deposits (1)	\$ 10,964	\$ 47,161
Prepayments (2)	13,495	8,555
Others (3)	—	238
	<u>\$ 24,459</u>	<u>\$ 55,954</u>

(1) Deposits represented payments for rental, utilities, construction funds to government department and deposit payment to product suppliers.

(2) Prepayments mainly consists of prepayment for insurance, consultancy fee and IT related fees.

(3) Others mainly consists of other miscellaneous payments

5. **PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Office equipment	\$ 33,727	\$ 36,163
Computer equipment	98,127	72,123
Furniture and fittings	7,452	7,557
Software and website	13,297	12,757
Renovations	101,611	103,038
	<u>254,214</u>	<u>231,638</u>
Less: Accumulated depreciation	(112,783)	(89,908)
Balance at end of period/year	<u>\$ 141,431</u>	<u>\$ 141,730</u>

Depreciation expenses charged to the statements of operations and comprehensive loss for the periods ended September 30, 2019 and 2018 were \$22,875 and \$18,796 respectively.

6. **ACCRUED EXPENSE AND OTHER PAYABLES**

Accrued expense and other payables consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Provisions and accruals	\$ 37,260	\$ 67,989
Others (1)	296,575	313,525
Balance at end of period/year	<u>\$ 333,835</u>	<u>\$ 381,514</u>

(1) Other payables mainly consist of members allocated redemption points for commissions.

7. RELATED PARTY BALANCES AND TRANSACTIONS

	September 30, 2019	December 31, 2018
Amount due from related parties		
Ho Wah Genting Berhad (1)	\$ 5,014	\$ 4,928
Balance at end of year	<u>\$ 5,014</u>	<u>\$ 4,928</u>
Amount of due to related parties		
Ho Wah Genting Holiday Sdn Bhd (2)	—	170
Grande Legacy Inc. (3)	4,240,355	4,862,193
Total Amount due to related parties	<u>\$ 4,240,355</u>	<u>\$ 4,862,363</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 (“HWGB”), a company listed in Bursa Malaysia Main Market.

The Company recognized rent expenses of \$15,239 and \$15,208 to HWGB for the nine months ended September 30, 2019 and 2018 respectively.

The Company has a lease agreement under an operating lease for its corporate office facility with HWGB.

The lease expires by December 31, 2019. On October 1, 2019, the Company has signed a letter of mutual termination of tenancy agreement with HWGB.

- (2) A director of the Company, Lim Wee Kiat, is also a director of Ho Wah Genting Holiday Sdn Bhd.

- (3) 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 SB to collect credit card sales proceeds on its behalf.

On July 1, 2018, the Company signed an amendment to a licensing agreement with GL, providing the revised terms of royalty payment. GL shall pay the Company royalty equal to 55% of net profits on a quarterly basis, commencing July 1, 2018.

On July 1, 2018, Vitaxel SB has entered into a management and administrative services agreement with GL. The agreement is to provide certain management and administrative support services for the operation of GL. For these services, Vitaxel SB shall charge a monthly management fee of \$40,000 to GL. The Company recognized management fee income of \$360,000 (2018:\$120,000) charged to GL for the nine months ended September 30, 2019.

On January 1, 2019, the Company signed an amendment to licensing agreement with GL, providing the revised terms of royalty payment. GL shall pay the Company royalty equal to 4% of revenue on a quarterly basis, commencing January 1, 2019. The Company recognized royalty income of \$11,906 (2018: \$Nil) for the nine months ended September 30, 2019.

The Company also recognized sales of travel packages of \$49,350 and \$0 to GL for the nine months ended September 30, 2019 and 2018 respectively.

8. COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Company has no capital commitments.

Operation Commitments

The Company has lease agreements under its operating lease for corporate office and members lounge.

(1) Corporate office

The Company has a lease agreement for its corporate office with Ho Wah Genting Berhad, with lease expires by December 31, 2019. The relation with Ho Wah Genting Berhad is disclosed in note 7 RELATED PARTY BALANCES AND TRANSACTIONS.

On October 1, 2019, the Company has signed a letter of mutual termination of tenancy agreement with HWGB, terminating the tenancy with mutual consent effective October 31, 2019. The remaining commitment as at September 30, 2019 is NIL.

On October 2, 2019, the Company has signed a lease agreement for its corporate office with Cheong Wing Chan Properties Sdn Bhd. The lease expires by September 30, 2020.

(2) Members lounge

The Company has a lease agreement for its members lounge with Malaysia-Beijing Travel Services Sdn Bhd, with lease expires by December 3, 2019. The remaining lease commitment as at September 30, 2019 is \$6,773.

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 and its subsidiaries on a consolidated basis, unless otherwise indicated or the context requires otherwise.

Overview

Vitaxel Group Limited is the holding company for Vitaxel SDN BHD ("Vitaxel"), and Vitaxel Online Mall SDN BHD ("Vionmall"), both of which are wholly owned subsidiaries of the Company, Incorporated under the laws of the Country of Malaysia.

Vitaxel is 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.

Vionmall is an e-commerce business for retail sales direct to consumers. We do not develop or manufacture the products and services which we offer.

We presently have approximately 5,700 total members. As of September 30, 2019, approximately: 62.3% of our members reside in Malaysia, 28.9% of our members reside in Singapore, 3.7% members reside in China, approximately 2.7% members reside in Hong Kong and approximately 2.4% members reside in other countries

Results of Operations

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

The following discussion should be read in conjunction with our unaudited consolidated financial statements in Item 1, *Financial Statements*, for the three months ended September 30, 2019 and 2018 and the related notes thereto.

Revenue

We recognized \$41,054 and \$8,250 revenues for the periods ended September 30, 2019 and 2018, respectively. Revenue in current period are mainly contributed by Vionmall's sales as compare to the same period last year, which were contributed by Vitaxel. The increase in revenue is attributable to the higher Vionmall's sales in the current period.

Cost of Sales

Cost of sales for the period ended September 30, 2019 was \$39,351 compared to \$3,859 for the period ended September 30, 2018. The increase in cost of sales in current period as compare to the same period last year was due to the revenue margin of the sales in Vionmall is low.

Gross Profit

Gross profit for the period ended September 30, 2019 was \$1,703 compared to \$4,391 for the period ended September 30, 2018. The decrease was attributable to the high cost of sales in current period as compared to the same period last year.

Operating Expenses

For the period ended September 30, 2019, we incurred total operating expenses in the amount of \$210,719, composed of selling expenses of \$174 and general and administrative expenses totalling \$210,545. Whilst, for the period ended September 30, 2018, we incurred total operating expenses in the amount of \$325,411 which was composed of selling expenses of -\$151 and general and administrative expenses totalling \$325,562. The increase of \$325 or 215% for the selling expenses, along with the decrease of \$115,017 or 35% for the administrative expenses, caused total operating expenses to decrease by \$114,692 or 35%.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

The following discussion should be read in conjunction with our unaudited consolidated financial statements in Item 1, *Financial Statements*, for the nine months ended September 30, 2019 and 2018 and the related notes thereto.

Revenue

We recognized \$60,214 and \$31,338 revenues for the periods ended September 30, 2019 and 2018, respectively. Revenue in current period are mainly contributed by Vionmall's sales as compare to the same period last year, which were contributed by Vitaxel. The increase in revenue is attributable to the higher Vionmall's sales in the current period.

Cost of Sales

Cost of sales for the period ended September 30, 2019 was \$52,898 compared to \$10,929 for the period ended September 30, 2018. The increase in cost of sales in current period as compare to the same period last year was due to the revenue margin of the sales in Vionmall is low.

Gross Profit

Gross profit for the period ended September 30, 2019 was \$7,316 compared to \$20,409 for the period ended September 30, 2018. The decrease was attributable to the high cost of sales in current period as compared to the same period last year.

Operating Expenses

For the period ended September 30, 2019, we incurred total operating expenses in the amount of \$733,487, composed of selling expenses of \$208 and general and administrative expenses totalling \$733,279. Whilst, for the period ended September 30, 2018, we incurred total operating expenses in the amount of \$1,256,362, composed of selling expenses of \$7,244 and general and administrative expenses totalling \$1,249,118. The decrease of \$7,036 or 97% for the selling expenses, along with the decrease of \$515,839 or 41% for the administrative expenses, caused total operating expenses to decrease by \$522,875 or 42%.

Liquidity and Capital Resources

As of September 30, 2019, we had a cash balance of \$54,913. During the period ended September 30, 2019, net cash used in operating activities totalled \$310,583. Net cash used in investing activities totalled \$24,823. Net cash used in financing activities during the period totalled \$612,520. The resulting change in cash for the period was a decrease of \$949,484, which was primarily due to repayment to related parties during the period.

As of September 30, 2019, we had current liabilities of \$4,707,848, which was composed of amount due to related parties of \$4,240,355, commission payables of \$133,658, and accruals and other payable of \$333,835.

As of September 30, 2018, we had a cash balance of \$2,175,170. During the period ended September 30, 2018, net cash used in operating activities totalled \$1,175,737. Net cash used in investing activities totalled \$644,417. Net cash provided by financing activities during the period totalled \$3,197,604. The resulting change in cash for the period was an increase of \$1,483,971, which was primarily due to related parties proceeds during the period.

As of December 31, 2018, we had current liabilities of \$5,392,409, which was composed of amount due to related parties of \$4,862,363, commission payables of \$138,118, accounts payable of \$10,414 and accruals and other payable of \$381,514.

We had net liabilities of \$4,440,202 and \$4,152,733 as of September 30, 2019 and December 31, 2018, respectively.

Management estimates that the general operating costs for the next 12 months will be approximately \$1,200,000. At present, the Company may not have sufficient capital resources to meet its anticipated operating and capital requirements for the next 12 months. The Company have started to receive management fee and royalty payments from its related party. Management is also evaluating other options, including obtaining financing through private placements, charging licensees administration fees, and entering additional licensing agreements. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Recent Developments:

Grand Legacy License; Transaction With Affiliate

On January 5, 2017, we entered into a License Agreement (the "Agreement") with Grande Legacy Inc., a BVI Business Company incorporated in the British Virgin Islands. Pursuant to the Agreement, we granted Grande Legacy Inc. an exclusive, non-transferable, revocable license to use our trademarks, brands, logos or service marks to market and operate our business and commercialize our online shopping and service platform, including but not limited to our online shopping mall known as "Vionmall", in United State of America, South Korea, Japan and other parts of the world agreed to by the Company from time to time. The term of the Agreement is three years with a possibility of renewal for another three years. The Agreement provides that Grande Legacy Inc. is in charge of all initial costs of setting up its business in United State of America, South Korea, Japan and other parts of the world agreed to by the Company. Grande Legacy Inc. is required to pay us a revenue share of 55% of the net profits for every three-month period.

On January 1, 2019, we amended the Licensing Agreement with Grande allowing them to provide their marketing activities in Singapore and further changing our royalty payment from 55% of net profit to 4% of revenue. We believe that these changes will allow us to generate revenue regardless of whether Grande Legacy Inc. is able to generate net profit or not, and will also avoid dispute as to calculations of net profits.

We have the following material relationships with Grande Legacy Inc.: (i) our Chief Executive Officer, Leong Yee Ming owns 2 shares, or 50% of Grande Legacy Inc.'s issued and outstanding shares, and is a principal executive officer and a director Grande Legacy Inc.; and (ii) our President, Dato Lim Hui Boon's brother Lim Hui Sing, owns 2 shares, or 50% of Grande Legacy Inc.'s issued and outstanding shares, and is a director of Grande Legacy Inc. However, Lim Hui Sing does not stay with any of the immediate family of the President of the Company, Mr Lim Hui Boon. He is considered to be independent party towards the said family. He is also not an officer nor a director of the Company

Grand Legacy Acquisition Termination; Continuation of License Agreement

On December 15, 2017, we entered into an agreement for the acquisition of Grand Legacy with its shareholders, Lim Hui Sing and Leong Yee Ming (together, the “Sellers”) and Vitaxel Sdn. Bhd., our wholly-owned subsidiary for the acquisition of Grande Legacy Inc., a British Virgin Islands company (“Grande Legacy”) (the “Acquisition”). As consideration for the transaction, the Company was required to issue to each of the Sellers 37,500,000 shares of the Company’s common stock, or at total of 75,000,000 shares (the “Consideration Shares”).

Among the conditions to closing of the Acquisition, the parties agreed that:

- The Company and Grande Legacy were required to complete the audit of Grande Legacy and the consolidated audited financial statements of the Company and Grande Legacy reflecting such transaction.
- The Company would issue the 75,000,000 Consideration Shares to the Sellers within 30 days of the Company’s obtaining all shareholder approvals necessary to approve the issuance of said shares and to amend the Company’s Certificate of Incorporation by increasing its capitalization to facilitate such issuance.

While Grande Legacy was able to deliver its audited financial statements, the Company did not obtain the shareholder approval consents necessary to increase its capitalization so that it can issue the Consideration Shares.

On September 17, 2018, the Company was notified by Grande Legacy of their intent to terminate the Acquisition since the requisite approvals for issuance of the Consideration Shares and the audit was not completed. After extended deliberation and negotiation, the Company determined that the cost in completing the transaction would likely outweigh the benefits of completion of the Acquisition. Accordingly, the Company allowed the Acquisition to terminate and entered into a Termination and Release Agreement with Grande Legacy on December 5, 2018.

Other than expenses incurred in connection with the Acquisition transaction, the Company did not pay any consideration and no Consideration Shares were issued. In addition, no penalties were payable by either party.

Notwithstanding the foregoing termination of the Acquisition, the License Agreement between the Company and Grande Legacy entered into on January 5, 2017, as amended, is still in full force and effect.

Other

On August 15, 2016, we entered into a License Agreement with Vitaxel Corp (Thailand) Ltd., a limited liability entity and incorporated in Thailand, as amended on August 21, 2016 to, among other things, extend the term from three years with a three-year renewal term to 10 years with a 10-year renewal term. Pursuant to this agreement, we granted Vitaxel Corp. (Thailand) Ltd. an exclusive, non-transferable, revocable license to use our trademarks, brands, logos or service marks to market and operate our business and commercialize our online shopping and service platforms, including but not limited to our online shopping mall known as “Vionmall”, in Thailand. We and or our subsidiaries will have the right of first refusal to acquire Vitaxel Corp. (Thailand) Ltd. if its shareholders decide to dispose its assets or company. Vitaxel Corp (Thailand) Ltd. is in charge of all initial costs of setting up our business in Thailand. Vitaxel Corp (Thailand) Ltd. shall pay us a revenue share of 70% of the net profits.

We have the following material relationships with Vitaxel Corp (Thailand) Ltd.: (i) we own 48% of Vitaxel Corp (Thailand) Ltd’s issued and outstanding shares; (ii) our Secretary and Chairman, Lim Wee Kiat, and one of its directors, Leong Yee Ming, each own one share, or 0.00005% of Vitaxel Corp (Thailand) Ltd’s issued and outstanding shares, and hold positions on Vitaxel Corp (Thailand) Ltd’s Board of Directors; and (iii) our President, Dato Lim Hui Boon, owns 200 shares, or 1.0% of Vitaxel Corp (Thailand) Ltd’s issued and outstanding shares, and is a member of Vitaxel Corp (Thailand) Ltd.’s Board of Directors.

On July 2, 2018, we entered into an agreement with one independent third party to dispose the entire shareholding in Vitaxel Corp (Thailand) Ltd. for a total proceeds of \$10,000. The disposal has been completed as of the date of this report. The License Agreement between the Company and Vitaxel Corp (Thailand) Ltd. entered into on August 15, 2016 is still in full force. The Company did not received any royalty payment from Vitaxel Corp (Thailand) Ltd during the year period ended September 30, 2019 and 2018.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as “special purpose entities” (SPEs).

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 on Form 10-K filed with the SEC on April 1, 2019, for disclosures regarding the critical accounting policies related to our business.

Recently Issued Accounting Standards

The recently issued accounting pronouncement are included in Note 2 Unaudited Interim Financial Statements for disclosures on 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 officers, 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 officers concluded that our disclosure controls and procedures were 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 (“CEO”), and Lim Wee Kiat, our Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, as of September 30, 2019. Based upon their participation in that evaluation, the CEO and CFO concluded that the disclosure controls and procedures were effective as of September 30, 2019.

Changes in Internal Controls

During the fiscal quarter ended September 30, 2019, 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

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

The company is necessarily subject to a number of risks which should be considered when reviewing this Quarterly Report. Some of the risks relating to the Company are set forth in our Annual Report on Form 10K for the period ended December 31, 2018, which should be reviewed in conjunction herewith.

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

On 31 March 2019, Ms. Kay Wong-Alafriz notified the Company that she was resigning from the Board of Directors of the Company (“Board”), effective immediately. Her resignation was not due to any matter related to the Company’s operations, policies or practices, her experiences while serving on the Board or any disagreement with the Board or management team.

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

November 13, 2019

By: /s/ Leong Yee Ming
Leong Yee Ming, Chief Executive Officer (principal executive officer)

November 13, 2019

VITAXEL GROUP LIMITED

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 quarterly 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 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 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: November 13, 2019

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 quarterly 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 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 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: November 13, 2019

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 September 30, 2019 (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: November 13, 2019

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 September 30, 2019 (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: November 13, 2019

By: /s/ Lim Wee Kiat

Name: Lim Wee Kiat

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)
