

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 **June 30, 2020**

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: **000-55685**

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.)

Bangunan Cheong Wing Chan
Level 4, 41-51, 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

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

Accelerated filer

Smaller reporting company

Emerging Growth Company

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

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

As of August 19, 2020, 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 June 30, 2020
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>	11
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	15
<u>Item 4.</u> <u>Controls and Procedures</u>	15
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	16
<u>Item 1A.</u> <u>Risk Factors</u>	16
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities And Use of Proceeds</u>	16
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	16
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	16
<u>Item 5.</u> <u>Other Information</u>	16
<u>Item 6.</u> <u>Exhibits</u>	17
<u>SIGNATURES</u>	18

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

	<u>PAGE</u>
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Operations and Comprehensive Loss	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Unaudited Condensed Consolidated Financial Statements	7

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

	As of June 30, 2020 (Unaudited)	As of December 31, 2019 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 76,690	\$ 63,436
Amount due from related parties	4,906	5,132
Inventories	18,721	17,450
Other receivables, prepayments and other current assets	19,042	30,559
Total current assets	<u>119,359</u>	<u>116,577</u>
Non-current assets		
Property and equipment, net	49,838	62,221
Total non-current assets	<u>49,838</u>	<u>62,221</u>
TOTAL ASSETS	<u>\$ 169,197</u>	<u>\$ 178,798</u>
CURRENT LIABILITIES		
Amounts due to related parties	\$ 4,335,357	\$ 4,372,856
Commission payables	123,820	133,743
Accounts payable	6,446	154
Accrued expense and other payables	327,735	340,112
Total current liabilities	<u>4,793,358</u>	<u>4,846,865</u>
TOTAL LIABILITIES	<u>4,793,358</u>	<u>4,846,865</u>
Commitments and Contingencies (Note 7(1))		
STOCKHOLDERS' 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	(9,740,650)	(9,587,918)
Accumulated other comprehensive income	361,281	164,644
Total stockholders' equity	<u>(4,624,162)</u>	<u>(4,668,067)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 169,197</u>	<u>\$ 178,798</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 June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUE	\$ 2,749	\$ 4,645	\$ 15,644	\$ 19,160
COST OF REVENUE	(2,176)	(4,090)	(12,834)	(13,547)
GROSS PROFIT	573	555	2,810	5,613
OPERATING EXPENSES				
Selling expense	(156)	—	(590)	(34)
General and administrative expenses	(143,632)	(235,890)	(382,019)	(522,734)
Total operating expenses	(143,788)	(235,890)	(382,609)	(522,768)
LOSS FROM OPERATIONS	(143,215)	(235,335)	(379,799)	(517,155)
OTHER INCOME/(EXPENSE), NET				
Other income	108,125	132,143	228,423	258,638
Other expense	4,964	867	(1,357)	(635)
Total Other income / (Expense), net	113,089	133,010	227,066	258,003
Net Loss	\$ (30,125)	\$ (102,325)	\$ (152,732)	\$ (259,152)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment	(33,477)	54,549	196,637	6,721
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (63,602)	\$ (47,776)	\$ 43,905	\$ (252,431)
Weighted average number of common shares outstanding - basic and diluted	54,087,903	54,087,903	54,087,903	54,087,903
Net Income (Loss) per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)

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 June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (152,732)	\$ (259,152)
Items not involving cash:		
Depreciation – property and equipment	13,247	16,184
Property, plant and equipment written off	—	2,256
Changes in operating assets and liabilities		
Accounts Receivable	—	(14,026)
Other receivables, prepayments and other current assets	11,517	41,447
Inventories	(1,271)	(10,116)
Accounts Payable	6,292	(112)
Commission payables	(9,923)	(3,427)
Accrued expense and other payables	(12,377)	(46,646)
Net cash used in operating activities	(145,247)	(273,592)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,701)	(27,132)
Net cash used in investing activities	(1,701)	(27,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments to) / Proceeds from related parties	162,829	(651,637)
Net cash provided by (used in) financing activities	162,829	(651,637)
EFFECT OF EXCHANGE RATES ON CASH	(2,627)	2,072
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,254	(950,289)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	63,436	1,004,397
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 76,690	\$ 54,108
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 in the information disclosed in the notes to the consolidated financial statement for the year ended December 31, 2019, 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 Form 10-K.

In the opinion of management, the Company has made all adjustments necessary to present a fair statement of the financial position as of June 30, 2020, results of operations for the six months ended June 30, 2020 and 2019, and cash flows for the six months ended June 30, 2020 and 2019. All significant intercompany transactions and balances are eliminated on consolidation. The results of operations for the six months ended June 30, 2020 are not necessarily indicative of the results of operations for the entire fiscal year.

Recently issued accounting pronouncements

In August 2018, the 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 adoption of ASU 2018-13 did not have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, with the intent to reduce the complexity in accounting for income taxes. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, and early adoption is permitted. The accounting update removes certain exceptions to the general principles in ASC 740 as well as provides simplification by clarifying and amending existing guidance. The Company is currently assessing the impact of the new standard 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 June 30, 2020, the Company reported a net loss of \$152,732 and had negative working capital of \$4,673,999. The Company had an accumulated deficit of \$9,740,650 as of June 30, 2020 due to the fact that the Company incurred losses during the years prior to June 30, 2020.

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. There is no certainty that further funding will be available as needed. These factors raise substantial doubt about the ability of the Company to continue operating as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

These 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 CURRENT ASSETS

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Deposits (1)	\$ 16,056	\$ 20,824
Prepayments (2)	2,986	9,203
Others (3)	—	532
	<u>\$ 19,042</u>	<u>\$ 30,559</u>

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

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Office equipment	\$ 27,263	\$ 28,100
Computer equipment	100,245	101,614
Furniture and fittings	7,764	8,123
Software and website	15,856	16,589
	<u>151,128</u>	<u>154,426</u>
Less: Accumulated depreciation	(101,290)	(92,205)
Balance at end of period/year	<u>\$ 49,838</u>	<u>\$ 62,221</u>

Depreciation expenses charged to the statements of operations and comprehensive loss for the periods ended June 30, 2020 and 2019 were \$13,247 (3 months \$6,428) and \$16,184 (3 months \$7,418) respectively.

6. ACCRUED EXPENSE AND OTHER PAYABLES

Accrued expense and other payables consist of the following:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Provisions and accruals	\$ 35,870	\$ 38,224
Others (1)	291,865	301,888
Balance at end of period/year	<u>\$ 327,735</u>	<u>\$ 340,112</u>

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

7. RELATED PARTY BALANCES AND TRANSACTIONS

	June 30, 2020	December 31, 2019
Amount due from related parties		
Ho Wah Genting Berhad (1)	\$ 4,906	\$ 5,132
Total Amount due from related parties	<u>\$ 4,906</u>	<u>\$ 5,132</u>
Amount of due to related parties		
Ho Wah Genting Holding Sdn Bhd (2)	58,400	—
Grande Legacy Inc. (3)	4,276,957	4,372,856
Total Amount due to related parties	<u>\$ 4,335,357</u>	<u>\$ 4,372,856</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 \$nil and \$5,135 to HWGB for the six months ended June 30, 2020 and 2019 respectively.

During the year ended December 31, 2019, the Company has mutually agreed to terminate the lease with HWGB.

- (2) A former director of the Company, Lim Wee Kiat who resigned subsequent to June 30, 2020, is also a director of Ho Wah Genting Holding Sdn Bhd.
- (3) A director of the Company, Leong Yee Ming, is also a director of Grande Legacy Inc. (“GL”).

The Company recognized management fee income of \$240,000 and \$240,000 charged to GL for the six months ended June 30, 2020 and 2019 respectively.

The Company also recognized royalty income of \$293 and \$9,473 charged to GL for the six months ended June 30, 2020 and 2019 respectively.

The Company billed GL for product sales of \$13,597 and \$nil for the six months ended June 30, 2020 and 2019 respectively.

- (4) Total payment made in the form of compensation, which includes salary, bonus, stock awards and all other compensation have been made to the following officers of the Company:

	June 30, 2020	June 30, 2019
Dato’ Lim Hui Boon	\$ —	\$ 40,000
Lim Wee Kiat	23,852	29,477
Leong Yee Ming	22,527	24,762
	<u>\$ 46,378</u>	<u>\$ 94,239</u>

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 contain 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 June 30, 2020, 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 June 30, 2020 Compared to Three Months Ended June 30, 2019

The following discussion should be read in conjunction with our unaudited consolidated financial statements in Item 1, *Financial Statements*, for the three months ended June 30, 2020 and 2019 and the related notes thereto.

Revenue

We recognized \$2,749 and \$4,645 revenues for the periods ended June 30, 2020 and 2019, respectively. The overall slight decrease in revenue was attributable to decrease in our product sales in VitaxelSB in the current period compared to the same period last year, whilst offset by the product sales generated from VTrip and the newly launch VMall e-commerce site, both which were from Vionmall in current period.

Cost of Sales

Cost of sales for the period ended June 30, 2020 was \$2,176 compared to \$4,090 for the period ended June 30, 2019. The decrease was due to decrease in revenue in current period.

Gross Profit

Gross profit for the period ended June 30, 2020 was \$573 compared to \$555 for the period ended June 30, 2019. The increase was due to product sales of VitaxelSB in the same period last year has a lower margin as compare to sales from Vionmall in current period..

Operating Expenses

For the period ended June 30, 2020, we incurred total operating expenses in the amount of \$143,788, composed of selling expenses of \$156 and general and administrative expenses totalling \$143,632. Whilst, for the period ended June 30, 2019, we incurred total operating expenses in the amount of \$235,890, composed of selling expenses of \$nil and general and administrative expenses totalling \$235,890. The increase of \$156 or -% for the selling expenses, along with the decrease of \$92,258 or 39% for the administrative expenses, caused total operating expenses to decrease by \$92,102 or 39%.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

The following discussion should be read in conjunction with our unaudited consolidated financial statements in Item 1, *Financial Statements*, for the six months ended June 30, 2020 and 2019 and the related notes thereto.

Revenue

We recognized \$15,644 and \$19,160 revenues for the periods ended June 30, 2020 and 2019, 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 decrease in revenue is attributable to the decrease in Vitaxel's sales in the current period compared to the same period last year.

Cost of Sales

Cost of sales for the period ended June 30, 2020 was \$12,834 compared to \$13,547 for the period ended June 30, 2019. The decrease was due to decrease in revenue in current period.

Gross Profit

Gross profit for the period ended June 30, 2020 was \$2,810 compared to \$5,613 for the period ended June 30, 2019. The decrease was attributable to the decrease in revenue in current period as compared to the same period last year.

Operating Expenses

For the period ended June 30, 2020, we incurred total operating expenses in the amount of \$382,609, composed of selling expenses of \$590 and general and administrative expenses totalling \$382,019. Whilst, for the period ended June 30, 2019, we incurred total operating expenses in the amount of \$522,768, composed of selling expenses of \$34 and general and administrative expenses totalling \$522,734. The increase of \$556 or 1635% for the selling expenses, along with the decrease of \$140,714 or 27% for the administrative expenses, caused total operating expenses to decrease by \$137,355 or 27%.

Liquidity and Capital Resources

As of June 30, 2020, we had a cash balance of \$76,690. During the period ended June 30, 2020, net cash used in operating activities totalled \$145,247. Net cash used in investing activities totalled \$1,701. Net cash provided by financing activities during the period totalled \$162,829. The resulting change in cash for the period was an increase of \$13,254, which was primarily due to proceeds received from related parties in current period.

As of June 30, 2020, we had current liabilities of \$4,793,358, which was composed of amount due to related parties of \$4,335,357, commission payables of \$123,820, accounts payable of \$6,446 and accruals and other payable of \$327,735.

As of June 30, 2019, we had a cash balance of \$54,108. During the period ended June 30, 2019, net cash used in operating activities totalled \$273,592. Net cash used in investing activities totalled \$27,132. Net cash used in financing activities during the period totalled \$651,637. The resulting change in cash for the period was a decrease of \$950,289, which was primarily due to repayment to related parties during the period.

As of June 30, 2019, we had current liabilities of \$4,686,087, which was composed of amount due to related parties of \$4,206,226, commission payables of \$134,691, accounts payable of \$10,302 and accruals and other payable of \$334,868.

Management estimates that the general operating costs for the next 12 months will be approximately \$600,000. At present, the Company may not have sufficient capital resources to meet its anticipated operating and capital requirements for the next 12 months. 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:

Impact of Current Coronavirus (COVID-19) Pandemic on the Company

As many parts of the world is currently under lockdown or restrictive movement orders due to the current COVID-19 pandemic, we believe that all companies related to the travel, entertainment and lifestyle industry have been negatively impacted. Our Company is not spared either. We do not foresee any income contribution from this business from January 2020 until the destination areas (in particular South-East Asia and Europe) reopen their countries to allow foreign visitors again.

Our MLM business is also negatively impacted due to the fact that being a business built on fostering personal relationship and expanding new contacts, most distributors are unable to carry out the more important aspects of regular face to face visits and appointments, promotional events and direct coaching to continuously improve their team's skills, motivation and knowledge of our products. Fortunately, we are still able to connect to our leaders via calls, emails and backoffice announcements and other form of online communication such as Skype and Zoom to keep the leaders and members abreast with our status and development. As such, our MLM operation is still ongoing amid slower than usual.

In our previously Form 8-K, filed April 22, 2020, we announced that in connection with the COVID-19 pandemic, the Malaysian government has enforced a Movement Control Order (the "MCO") effective March 18, 2020, closing all offices within the country that are non-essential forcing all of the Company's staff to work from home. Subsequently, the MCO was replaced with the Conditional Movement Control Order on May 4, 2020 easing restrictions on most of Malaysia's economic sectors until June 9, 2020. The Company opened its offices, but on an alternative day basis allowing staff to work on the Company's backlogs. Afterwards, the Malaysian government announced the Recovery Movement Control Order beginning on June 10 and lasting till August 31, 2020, allowing most business to reopen and further eases COVID regulations on the country's list of restricted activities. The Company's management will continue to monitor the situation in Malaysia and ensure compliance towards enforced control order. Due to the uncertainties surrounding the economy in Malaysia and the enforcement of movement control, amid relaxed restrictions, at the time of issuance of this Report on Form 10Q, the Company is unable to reasonably estimate the full extent of the impact of COVID-19 pandemic on its future business, financial conditions, and results of operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons.

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 6, 2020, 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.

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 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 (“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 June 30, 2020. Based upon their participation in that evaluation, the CEO and CFO concluded that the disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Controls

During the fiscal quarter ended June 30, 2020, 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, 2019, 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 13 July 2020, Mr. Lim Wee Kiat notified the Company that he is resigning from the Board of Directors as well as the position of Chief Financial Officer and Secretary of the Company, effective immediately. His resignation was not due to any matter related to the Company's operations, policies or practices, his experiences while serving on the Board or any disagreement with the Board or management team.

With effect of Mr Lim Wee Kiat's resignation, Mr Leong Yee Ming, Director and Chief Executive Officer of the Company will takeover the position previously held by Mr. Lim Wee Kiat for the role of Chairman, Chief Financial Officer and Secretary while maintaining his position as the Chief Executive Officer.

ITEM 6. EXHIBITS

The following exhibits are included as part of this report:

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Rule 13a-14
32.1	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act
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

August 19, 2020

By: /s/ Leong Yee Ming

Leong Yee Ming, Chief Executive Officer (principal executive 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: August 19, 2020

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 June 30, 2020 (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: August 19, 2020

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