

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2001

OR

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

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

011-12421

(Commission File No.)

87-0565309

(IRS Employer
Identificaiton No.)

75 West Center Street

Provo, UT 84601

(Address of registrant as specified in its charter)

Registrant's telephone number, including area code:

(801) 345-6100

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

As of November 1, 2001, 33,152,904 shares of the Company's Class A Common Stock, \$.001 par value per share, and 49,341,240 shares of the Company's Class B Common stock, \$.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

2001 FORM 10-Q QUARTERLY REPORT – THIRD QUARTER

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Nu Skin, Pharmanex, Big Planet, Nu Skin 180° and LifePak are trademarks of Nu Skin Enterprises, Inc. or its subsidiaries.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NU SKIN ENTERPRISES, INC.

Consolidated Balance Sheets

(in thousands, except share amounts)

	(Unaudited) September 30, 2001	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	\$ 65,871	\$ 63,996
Accounts receivable	22,426	18,191
Related parties receivable	12,767	13,176
Inventories, net	83,077	82,015
Prepaid expenses and other	<u>37,137</u>	<u>44,513</u>
	221,278	221,891
Property and equipment, net	60,851	60,562
Other assets, net	<u>295,944</u>	<u>308,350</u>
Total assets	<u>\$ 578,073</u>	<u>\$ 590,803</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 17,685	\$ 15,837
Accrued expenses	66,902	74,199
Related parties payable	<u>6,998</u>	<u>9,020</u>
	91,585	99,056
Long-term debt	81,267	84,884
Other liabilities	<u>41,583</u>	<u>40,130</u>
Total liabilities	<u>214,435</u>	<u>224,070</u>
Stockholders' equity		
Class A common stock - 500,000,000 shares authorized, \$.001 par value, 33,200,884 and 31,338,676 shares issued and outstanding	33	31
Class B common stock - 100,000,000 shares authorized, \$.001 par value, 49,648,705 and 53,408,951 shares issued and outstanding	50	54
Additional paid-in capital	92,063	106,284
Retained earnings	330,857	306,458
Deferred compensation	(22)	(747)
Accumulated other comprehensive income	<u>(59,343)</u>	<u>(45,347)</u>
	<u>363,638</u>	<u>366,733</u>
Total liabilities and stockholders' equity	<u>\$ 578,073</u>	<u>\$ 590,803</u>

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

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NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2001	Nine Months Ended Sept. 30, 2000
Revenue	\$ 224,185	\$ 215,567	\$ 653,061	\$ 656,151
Cost of sales	<u>45,861</u>	<u>36,839</u>	<u>131,688</u>	<u>109,735</u>
Gross profit	<u>178,324</u>	<u>178,728</u>	<u>521,373</u>	<u>546,416</u>
Operating expenses				
Distributor incentives	88,217	83,773	256,593	255,036
Selling, general and administrative	<u>70,454</u>	<u>71,080</u>	<u>211,921</u>	<u>220,616</u>
Total operating expenses	<u>158,671</u>	<u>154,853</u>	<u>468,514</u>	<u>475,652</u>
Operating income	19,653	23,875	52,859	70,764
Other income (expense), net	<u>245</u>	<u>(500)</u>	<u>5,399</u>	<u>321</u>
Income before provision for income taxes	19,898	23,375	58,258	71,085
Provision for income taxes	<u>7,362</u>	<u>8,415</u>	<u>21,555</u>	<u>25,590</u>
Net income	<u>\$ 12,536</u>	<u>\$ 14,960</u>	<u>\$ 36,703</u>	<u>\$ 45,495</u>

Net income per share (Note 2):					
Basic	\$.15	\$.18	\$
Diluted	\$.15	\$.18	\$
				.44	\$
				.44	\$
					.53
					.53
Weighted average common shares outstanding:					
Basic		82,846		85,077	
Diluted		83,498		85,409	
				83,465	
				84,105	
					85,603
					86,017

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

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NU SKIN ENTERPRISES, INC.
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Cash flows from operating activities:		
Net income	\$ 36,703	\$ 45,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,609	23,009
Amortization of deferred compensation	725	4,494
Gain on sale	(2,328)	—
Changes in operating assets and liabilities:		
Accounts receivable	(4,235)	(2,974)
Related parties receivable	409	2,937
Inventories, net	(1,062)	(3,743)
Prepaid expenses and other	(1,602)	(8,036)
Other assets, net	3,344	(6,874)
Accounts payable	1,848	(7,647)
Accrued expenses	(7,297)	(25,032)
Related parties payable	(2,022)	(3,670)
Other liabilities	1,453	—
Net cash provided by operating activities	<u>49,545</u>	<u>17,959</u>
Cash flows from investing activities:		
Purchase of property and equipment	(11,612)	(13,117)
Payments for lease deposits	—	(24)
Receipt of refundable lease deposits	—	743
Net cash used in investing activities	<u>(11,612)</u>	<u>(12,398)</u>
Cash flows from financing activities:		
Exercise of distributor and employee stock options	35	90
Payments on long-term debt	—	(55,678)
Dividend	(12,304)	—
Repurchase of shares of common stock (Note 5)	(14,259)	(11,544)
Net cash used in financing activities	<u>(26,528)</u>	<u>(67,132)</u>
Effect of exchange rate changes on cash	<u>(9,530)</u>	<u>1,308</u>
Net increase (decrease) in cash and cash equivalents	1,875	(60,263)
Cash and cash equivalents, beginning of period	<u>63,996</u>	<u>110,162</u>
Cash and cash equivalents, end of period	<u>\$ 65,871</u>	<u>\$ 49,899</u>

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

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1. THE COMPANY

Nu Skin Enterprises, Inc. (the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements. The Company also distributes technology and telecommunications products and services. The Company's operations are divided into four segments: North Asia, which consists of Japan and South Korea; Southeast Asia, which consists of Australia, Hong Kong (including Macau), New Zealand, the PRC (China), the Philippines, Singapore, Taiwan and Thailand; North America, which consists of the United States and Canada; and Other Markets, which consists of the Company's markets in Brazil, Europe, Guatemala and Mexico (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries"). The Company was incorporated on September 4, 1996 as a holding company.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of September 30, 2001 and for the three and nine-month periods ended September 30, 2001 and 2000. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

2. NET INCOME PER SHARE

Net income per share is computed based on the weighted average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data give effect to all dilutive potential common shares that were outstanding during the periods presented.

3. DIVIDENDS PER SHARE

In August 2001, the board of directors declared a quarterly cash dividend of \$0.05 per share for all classes of common stock. This quarterly cash dividend of approximately \$4.2 million was paid on September 27, 2001, to stockholders of record on September 10, 2001.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*. The statement requires companies to recognize all derivatives as either assets or liabilities, with the instruments measured at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the intended use of the derivative and its resulting designation. The adoption of SFAS 133 did not have a significant impact on the Company's consolidated financial statements.

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

The Company's Subsidiaries enter into significant transactions with each other and third parties which may not be denominated in the respective Subsidiaries' functional currencies. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of foreign currency exchange contracts and through certain intercompany loans of foreign currency. The Company does not use such derivative financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results. Gains and losses on certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At September 30, 2001 and December 31, 2000, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately \$91.0 million and \$28.9 million, respectively, to hedge foreign currency intercompany items. The net gains on foreign currency cash flow hedges recorded in current earnings were \$1.1 million and \$4.7 million for the three and nine-month periods ended September 30, 2001, respectively. Prior to the adoption of SFAS 133, the Company held foreign currency forward contracts which were marked to market and recorded net gains in other income of \$0.5 million and \$2.4 million, respectively, for the three and nine-month periods ended September 30, 2000. Those contracts held at September 30, 2001 have maturities through September 2002 and accordingly, all unrealized gains on foreign currency cash flow hedges included in other comprehensive income at September 30, 2001 will be recognized in current earnings over the next twelve-month period.

5. REPURCHASE OF COMMON STOCK

During the three-month periods ended September 30, 2001 and 2000, the Company repurchased approximately 480,000 and 1,039,000 shares, respectively, of Class A common stock for approximately \$3.5 million and \$6.5 million, respectively. During the nine-month periods ended September 30, 2001 and 2000, the Company repurchased approximately 1,977,000 and 1,718,000 shares, respectively, of Class A common stock for approximately \$14.2 million and \$11.5 million, respectively.

6. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three and nine-month periods ended September 30, 2001 and 2000, were as follows (in thousands):

	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2001	Nine Months Ended Sept. 30, 2000
Net income	\$ 12,536	\$ 14,960	\$ 36,703	\$ 45,495
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(5,307)	323	(14,111)	2,013
Net unrealized gains (losses) on foreign currency cash flow hedges	(418)	—	3,116	—
Net gain reclassified into current earnings	(712)	—	(3,001)	—
Comprehensive income	<u>\$ 6,099</u>	<u>\$ 15,283</u>	<u>\$ 22,707</u>	<u>\$ 47,508</u>

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NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

7. SEGMENT INFORMATION

As described in Note 1, the Company's operations throughout the world are divided into four reportable segments: North Asia, Southeast Asia, North America and Other markets. Segment data includes intersegment revenue, intersegment profit and operating expenses and intersegment receivables and payables. The Company evaluates the performance of its segments based on operating income. Information as to the operations of the Company in each of the four segments is set forth below (in thousands):

	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2001	Nine Months Ended Sept. 30, 2000
Revenue				
North Asia	\$ 141,410	\$ 142,802	\$ 408,579	\$ 432,980
Southeast Asia	80,624	65,677	230,096	208,915
North America	105,412	96,760	318,311	294,646
Other	6,274	4,631	18,603	13,733
Eliminations	(109,535)	(94,303)	(322,528)	(294,123)
Totals	<u>\$ 224,185</u>	<u>\$ 215,567</u>	<u>\$ 653,061</u>	<u>\$ 656,151</u>
Operating Income				
North Asia	\$ 10,852	\$ 10,611	\$ 31,650	\$ 28,116
Southeast Asia	7,456	5,954	19,572	22,619
North America	4,749	2,012	10,594	14,833
Other	(2,369)	(1,455)	(5,529)	(4,968)
Eliminations	(1,035)	6,753	(3,428)	10,164
Totals	<u>\$ 19,653</u>	<u>\$ 23,875</u>	<u>\$ 52,859</u>	<u>\$ 70,764</u>
Total Assets			As of Sept. 30, 2001	As of Dec. 31, 2000
North Asia			\$ 85,646	\$ 83,941
Southeast Asia			88,209	76,279
North America			452,931	471,221
Other			16,516	13,039
Eliminations			(65,229)	(53,677)
Totals			<u>\$ 578,073</u>	<u>\$ 590,803</u>

Information as to the Company's operations in different geographical areas is set forth below (in thousands):

Revenue

Revenue from the Company's operations in Japan totaled \$128,710 and \$134,164 for the three-month periods ended September 30, 2001 and 2000, respectively, and totaled \$377,268 and \$411,185 for the nine-month periods ended September 30, 2001 and 2000, respectively. Revenue from the Company's operations in Taiwan totaled \$17,120 and \$20,950 for the

NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

three-month periods ended September 30, 2001 and 2000, respectively and totaled \$52,667 and \$64,563 for the nine-month periods ended September 30, 2001 and 2000, respectively. Revenue from the Company's operations in the United States (which includes intercompany revenue) totaled \$103,669 and \$94,887 for the three-month periods ended September 30, 2001 and 2000, respectively, and totaled \$290,078 and \$290,516 for the nine-month periods ended September 30, 2001 and 2000, respectively.

Long-lived assets

Long-lived assets in Japan were \$21,613 and \$23,782 as of September 30, 2001 and December 31, 2000, respectively. Long-lived assets in Taiwan were \$2,202 and \$3,235 as of September 30, 2001 and December 31, 2000, respectively. Long-lived assets in the United States were \$303,919 and \$313,415 as of September 30, 2001 and December 31, 2000, respectively.

8. REVOLVING CREDIT AGREEMENT

On May 10, 2001, the Company entered into a \$60.0 million revolving credit agreement (the "Revolving Credit Facility") with Bank of America, N.A. and Bank One, N.A. for which Bank of America, N.A. acted as agent. The proceeds may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. There were no outstanding balances relating to the Revolving Credit Facility as of September 30, 2001.

The Revolving Credit Facility bears interest at a rate equal to the London Inter-Bank Offer Rate (LIBOR) or the Japanese yen LIBOR, plus an applicable margin. The maturity date for the Revolving Credit Facility is three years from the borrowing date and will be reduced by \$15.0 million on each of the first two anniversaries of the closing. The Revolving Credit Facility contains other terms and conditions and affirmative and negative financial covenants customary for similar credit facilities.

9. NEW PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141 ("FAS 141"), *Business Combinations*, and No. 142 ("FAS 142"), *Goodwill and Other Intangible Assets*. FAS 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. The provisions of FAS 142 will be effective for fiscal years beginning after December 15, 2001. Accordingly, the Company will adopt FAS 142 during the first quarter of 2002. The Company is currently evaluating the impact the adoption of FAS 141 and FAS 142 will have on the Company's consolidated financial statements.

In April 2001, the Emerging Issues Task Force ("EITF") reached a consensus on EITF 00-25, "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products", which provides guidance on the income statement classification of consideration from a vendor to a retailer in connection with the retailer's purchase of the vendor's products or to promote sales of the vendor's products. EITF 00-25 is effective January 1, 2002. The Company is currently evaluating the impact of this new guidance.

NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

In September 2001, the EITF issued EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products", which addresses the accounting for consideration given by a vendor to a customer or a reseller of the vendor's products. The Company is currently evaluating the impact of this new guidance.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses the accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. SFAS 143 is effective January 1, 2003. The Company is currently evaluating the impact of this new guidance.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses the accounting and reporting for the impairment and disposal of long-lived assets. SFAS 144 is effective January 1, 2002. The Company is currently evaluating the impact of this new guidance.

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

2001 compared to 2000

Revenue increased 4.0% to \$224.2 million for the three-month period ended September 30, 2001 from \$215.6 million for the same period in 2000 primarily due to the growth in the Southeast Asia region. Revenue in the quarter was negatively impacted approximately 11.6% by a weakening of foreign currencies compared to the prior-year period. In local currency, the Company experienced revenue growth in each of its

operating regions other than North America, which resulted in overall constant currency growth of 13.7% and 8.5% for the three and nine-month periods ended September 30, 2001 compared to the same prior-year periods, respectively. However, due to a weakening of foreign currencies, revenue decreased 0.5% to \$653.1 million for the nine-month period ended September 30, 2001 from \$656.2 million for the same period in 2000.

Revenue in North Asia decreased 1.0% and 5.6% to \$141.4 million and \$408.6 million for the three and nine-month periods ended September 30, 2001 from \$142.8 million and \$433.0 million for the same periods in 2000, respectively. This decrease in revenue was due to revenue in Japan decreasing 4.1% and 8.2% to \$128.7 million and \$377.3 million for the three and nine-month periods ended September 30, 2001 from \$134.2 million and \$411.2 million for the same periods in 2000, respectively. This decrease is directly attributable to a 12.8% and 12.6% weakening in the Japanese yen for the three and nine-month periods ended September 30, 2001 compared to the same prior-year periods, respectively. In local currency, revenue in Japan increased 8.2% and 3.4% for the three and nine-month periods ended September 30, 2001 compared to the same prior-year periods, respectively, due to the strength of key Nu Skin and Pharmanex products launched in the past 18 months, the success of the automatic repurchasing programs and the personalized web sites the Company offers its distributor force. The decline in revenue in Japan in U.S. dollar terms was partially offset by an increase in revenue in South Korea of 47.7% and 43.6% to \$12.7 million and \$31.3 million for the three and nine-month periods ended September 30, 2001 from \$8.6 million and \$21.8 million for the same periods in 2000, respectively. In local currency terms, revenue in South Korea was 70.3% and 65.9% higher for the three and nine-month periods ended September 30, 2001 versus the same prior-year periods, respectively. The continued revenue growth in South Korea in U.S. dollar and local currency terms is attributed to an improving economy as well as a rebound in the direct selling industry as a whole in South Korea. In addition the Company has effectively executed a strategy designed to create sustainable growth fueled by new product launches including the launch of Pharmanex's weight management products and Nu Skin's 180° anti-aging skin therapy system.

Revenue in Southeast Asia increased 34.4% and 19.3% to \$39.8 million and \$107.1 million for the three and nine-month periods ended September 30, 2001 from \$29.6 million and \$89.8 million for the same periods in 2000, respectively. In local currency terms, revenue in Southeast Asia increased 43.2% and 26.5% for the three and nine-month periods ended September 30, 2001 compared to the same prior-year periods, respectively. The increase in revenue resulted primarily from operations in Singapore which generated \$11.7 million and \$24.9 million for the three and nine-month periods ended September 30, 2001, respectively, following the opening of the market in Singapore late in 2000. Success in Singapore has also contributed to modest growth in other markets in the Southeast Asia region, such as Hong Kong, Thailand and Australia. The increase in revenue from operations in Singapore was somewhat offset by the results in Taiwan, which decreased 18.6% and 18.4% to \$17.1 million and \$52.7 million for the three and nine-month periods ended September 30, 2001 from \$21.0 million and \$64.6 million for the same prior-year periods, respectively. In local currency, revenue in Taiwan declined 8.9% and 10.9% during the three and nine-month periods ended September 30, 2001 compared to the same prior-year periods, respectively. Revenue in Taiwan on a local currency basis increased 5.1% during the second quarter of 2001 compared to the first quarter of 2001 due in part to seasonal trends, but decreased 1.3% from the second quarter of 2001 to the third quarter of 2001. Management believes that the Company's operations in Taiwan have stabilized. Over the last several years, the Company's Taiwan operations have suffered the impact of increased competition and economic pressures and an overall decline in sales in the direct selling industry in Taiwan. In addition, since the Company's business model for

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distributors encourages top leaders to assist in opening new markets, management believes the decline in revenue in Taiwan compared to the prior-year period was also in part due to top leaders from that market focusing on Singapore.

Revenue in North America, consisting of the United States and Canada, decreased 4.9% and 0.8% to \$36.7 million and \$118.8 million for the three and nine-month periods ended September 30, 2001 from \$38.6 million and \$119.7 million for the same periods in 2000, respectively. This revenue decrease is related primarily to the revenue declines in the United States. Management believes that the Company's operations in the United States continue to be negatively impacted by distributor uncertainty relating to the Company's divisional strategies. In order to overcome this, these strategies have recently been refined and modified to simplify the Company's business in order to help renew growth in the United States. Although management believes that the Company's operations in the United States were in-line to show level or slightly positive growth in the third quarter of 2001, the tragic events of September 11, 2001 in the United States slowed operations in the United States for the balance of the third quarter. The revenue for the nine-month period ended September 30, 2001 benefited from the international convention held in the United States in February 2001, which generated approximately \$5.0 million in revenue from sales to international distributors attending the convention, as well as additional revenue from new business development efforts which provided an additional \$12.8 million in revenue. The new business development efforts recorded in the Big Planet division is a business related to outsourcing personnel and benefits for small businesses. Without the impact of this additional revenue, revenue in the North America region would have decreased approximately 12.0% during the nine-month period ended September 30, 2001 versus the same prior-year period.

Revenue in the Company's other markets, which includes its European and Latin American operations, increased 37.0% and 35.8% to \$6.3 million and \$18.6 million for the three and nine-month periods ended September 30, 2001 from \$4.6 million and \$13.7 million for the same periods in 2000, respectively. This increase in revenue is due to a 39.2% and 39.5% increase for the three and nine-month periods ended September 30, 2001 in revenue in Europe in U.S. dollar terms compared with the same prior-year periods, respectively. In local currency terms, revenue in Europe increased approximately 41.0% during the third quarter of 2001 versus the same prior-year period.

Gross profit as a percentage of revenue decreased to 79.5% and 79.8% for the three and nine-month periods ended September 30, 2001 compared to 82.9% and 83.3% for the same periods in the prior year, respectively. The decrease in gross profit percentages resulted from the weakening of the Japanese yen and other currencies relative to the U.S. dollar, the increased revenue relating to the new business development efforts recorded in the Big Planet division as described above that carry a lower gross margin, the shift in product mix from Nu Skin personal care products to Pharmanex products, which carry a slightly lower gross margin and discounts associated with the Company's growing automatic purchase programs. The Company purchases a significant majority of goods in U.S. dollars and recognizes revenue in local currencies. Consequently, the Company is subject to exchange rate risks in its gross margins.

Distributor incentives as a percentage of revenue increased to 39.4% and 39.3% for the three and nine-month periods ended September 30, 2001 compared to 38.9% for both the same prior-year periods. In the later part of 1999, the Company restructured a portion of its compensation plan for distributors, adding short-term, division-focused incentives, which slightly increased overall compensation to the Company's distributors.

Selling, general and administrative expenses as a percentage of revenue decreased to 31.4% and 32.5% for the three and nine-month periods ended September 30, 2001 compared to 33.0% and 33.6% for the same prior-year periods, respectively. Selling, general and administrative expenses decreased to \$70.5 million and \$211.9 million for the three and nine-month periods ended September 30, 2001 compared to \$71.1 million and \$220.6 million for the same periods in the prior year, respectively. The decreases resulted primarily from a weaker Japanese yen in 2001 as well as the Company's cost-saving initiatives including reductions in headcount and occupancy costs. Offsetting these lower

expenses were the costs incurred during the first quarter in 2001 for the Company's convention in the United States which added approximately \$5.0 million in selling, general and administrative expenses.

Other income (expense), net increased \$0.7 million for the three-month period ended September 30, 2001 compared to the same prior-year period resulting in net other income of \$0.2 million. This increase related primarily to a \$2.3 million gain from the sale of an interest in the Company's Malaysian subsidiary and was offset by a \$1.9 million loss resulting from the exchange of intercompany payables and receivables as well as the exchange loss on the Company's yen based bank debt, which is translated into U.S. dollars for financial reporting purposes. Other income (expense), net increased \$5.1 million for the nine-month period ended September 30, 2001 compared to the same period in the prior year resulting in net other income of \$5.4 million. This increase related primarily to foreign currency gains resulting from the strength of the U.S. dollar and the sale of an interest in the Company's Malaysian subsidiary.

Provision for income taxes decreased to \$7.4 million and \$21.6 million for the three and nine-month periods ended September 30, 2001 from \$8.4 million and \$25.6 million for the same prior-year periods. This decrease is largely due to the decreases in operating income as compared to the same prior-year periods, offset by an increase in the effective tax rate from 36.0% in the third quarter of 2000 to 37.0% in the third quarter of 2001.

Net income decreased to \$12.5 million and \$36.7 million for the three and nine-month periods ended September 30, 2001 from \$15.0 million and \$45.5 million for the same prior-year periods, respectively. Net income decreased primarily because of the factors noted above in "gross profit" and "distributor incentives" and was somewhat offset by the factors noted in "selling, general and administrative," "other income (expense), net" and "provision for income taxes" above.

Liquidity and Capital Resources

Historically, the Company's principal needs for funds have been for distributor incentives, working capital (principally inventory purchases), operating expenses, capital expenditures and the development of operations in new markets. The Company has generally relied on cash flow from operations to meet its business objectives without incurring long-term debt to unrelated third parties to fund operating activities.

The Company typically generates positive cash flow from operations due to favorable gross margins, the variable nature of distributor commissions which comprise a significant percentage of operating expenses and minimal capital requirements. During the nine-month period ended September 30, 2001, the Company generated \$49.5 million from operations compared to \$18.0 million during the nine-month period ended September 30, 2000. This increase in cash generated from operations in 2001 compared to the same prior-year period is primarily related to reduced cash payments to vendors for purchases of inventory resulting from increased efficiencies in the Company's management of inventory and reduced foreign taxes paid in 2001 versus 2000.

As of September 30, 2001, working capital was \$129.7 million compared to \$122.8 million as of December 31, 2000. Cash and cash equivalents at September 30, 2001 and December 31, 2000 were \$65.9 million and \$64.0 million, respectively. In addition to factors such as capital expenditures, dividends and stock repurchases, the Company's U.S. dollar reported cash position was negatively impacted during the nine-month period from the strength of the U.S. dollar relative to other currencies, particularly the Japanese yen.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were \$11.6 million for the nine-month period ended September 30, 2001. In addition, the Company anticipates additional capital expenditures in 2001 of approximately \$5.0 million to further enhance its infrastructure, including enhancements to computer systems and Internet related software in order to expand the Company's Internet capabilities.

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In March 1998, the Company completed the acquisition of Nu Skin International, Inc. (the "NSI Acquisition"). Pursuant to the terms of the NSI Acquisition, Nu Skin International, Inc. ("NSI") and the Company are required to pay certain contingent payments if specific earnings growth targets are met. The Company and NSI did not meet the specified earnings growth targets for the years ended December 31, 1999 and 2000. Contingent upon NSI and the Company meeting specified earnings growth targets during 2001, the Company may pay up to \$75.0 million in cash over the next year to the stockholders of NSI. However, management believes it is unlikely that such contingency payments will be made.

On October 12, 2000, the Company refinanced the \$87.1 million balance of its existing credit facility with the proceeds of a private placement of 9.7 billion Japanese yen of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes bear interest at an effective rate of 3.03% per annum and are due October 2010, with principal payments beginning October 2004. As of September 30, 2001, the outstanding balance on the Notes was 9.7 billion Japanese yen, or \$81.3 million.

On May 10, 2001, the Company entered into a \$60.0 million revolving credit agreement (the "Revolving Credit Facility") with Bank of America, N.A. and Bank One, N.A. for which Bank of America, N.A. acted as agent. The proceeds may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. There were no outstanding balances relating to the Revolving Credit Facility as of September 30, 2001.

Since August 1998, the board of directors has authorized the Company to repurchase up to \$70.0 million of the Company's outstanding shares of Class A common stock. The repurchases are used primarily to fund the Company's equity incentive plans. During the three and nine-month periods ended September 30, 2001, the Company repurchased approximately 480,000 and 1,977,000 shares for an aggregate price of approximately \$3.5 million and \$14.2 million, respectively. As of September 30, 2001, the Company had repurchased a total of approximately 6.2 million shares for an aggregate price of approximately \$54.5 million.

In August 2001, the board of directors declared a quarterly cash dividend of \$0.05 per share for all classes of common stock. This quarterly cash dividend of approximately \$4.2 million was paid on September 27, 2001, to stockholders of record on September 10, 2001. In addition, the board of directors has subsequently declared a quarterly cash dividend of \$0.05 per share for all classes of common stock payable on December 20, 2001. Management believes that cash flows from operations will be sufficient to fund future dividend payments.

The Company had related party payables of \$7.0 million and \$9.0 million at September 30, 2001 and December 31, 2000, respectively. In addition, the Company had related party receivables of \$12.8 million and \$13.2 million, respectively, at those dates. These balances are largely related to the acquisition of Big Planet, Inc. and the Nu Skin USA, Inc. transactions completed during 1999, as well as a loan to a significant stockholder.

Management considers the Company to be sufficiently liquid to be able to meet its obligations on both a short- and long-term basis. Management currently believes existing cash balances together with future cash flows from operations will be adequate to fund cash needs

relating to the implementation of the Company's strategic plans.

Seasonality

In addition to general economic factors, the direct selling industry is impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, Japan, Taiwan, Hong Kong, South Korea and Thailand celebrate their respective local New Year in the first quarter, which generally has a negative impact on such quarter. Management believes that direct selling in Japan, the United States and Europe is also generally negatively impacted during the month of August, which is in the Company's third quarter, when many individuals traditionally take vacations.

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Distributor Information

The following table provides information concerning the number of active and executive distributors as of the dates indicated. Active distributors are those distributors who were resident in the countries in which the Company operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes.

	As of September 30, 2001		As of September 30, 2000	
	Active	Executive	Active	Executive
North Asia	303,000	16,873	292,000	13,957
Southeast Asia	121,000	4,177	98,000	2,957
North America	75,000	2,494	70,000	2,926
Other	24,000	1,009	18,000	624
Total	523,000	24,553	478,000	20,464

Currency Risk and Exchange Rate Information

A majority of the Company's revenue and many of the Company's expenses are recognized primarily outside of the United States except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. Each subsidiary's local currency is considered the functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, the Company's reported sales and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar.

Given the uncertainty of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on the Company's future business, product pricing, results of operations or financial condition. However, because a majority of the Company's revenue is realized in local currencies and the majority of the Company's cost of sales is denominated in U.S. dollars, the Company's gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by strengthening in the U.S. dollar. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through its Japanese yen denominated debt. The Company does not use such derivative financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results.

The Company's foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of September 30, 2001, the primary currency for which the Company had net underlying foreign currency exchange rate exposure was the Japanese yen. Based on the Company's foreign exchange contracts at September 30, 2001 as discussed in Note 4 of the Notes to the Consolidated Financial Statements, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against such contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures of the Company.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act") which reflect the Company's current expectations and beliefs regarding the future results of operations, performance and achievements of the Company. These statements are subject to risks and uncertainties and are based

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upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

- the belief that operations in the United States were in-line to show level or slightly positive growth prior to the tragic events of September 11, 2001;
- the belief that operations in Taiwan have stabilized;
- the Company's belief that existing cash and cash flow from operations will be adequate to fund cash needs;
- the expectation that the Company will spend \$5 million for capital expenditures during the remainder of 2001; and
- the anticipation that cash will be sufficient to pay future dividends.

In addition, when used in this report, the words or phrases, "will likely result," "expects," "anticipates," "will continue," "intends," "plans," "believes," "the Company or management believes," and similar expressions are intended to help identify forward-looking statements.

The Company wishes to caution readers that the risks and uncertainties described below, and the other risks and factors described herein and in the Company's other filings with the Securities and Exchange Commission (which contain a more detailed discussion of the risks and uncertainties related to the Company's business) could cause (and in some cases in the past have caused) the Company's actual results and outcomes to differ materially from those discussed or anticipated. The Company also wishes to advise readers not to place any undue reliance on such forward-looking statements, which reflect the Company's beliefs and expectations only as of the date of this report. The Company assumes no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in its beliefs or expectations. Important factors, risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

- (a) Management believes that the tragic events of September 11th had a negative impact on business in the United States during the end of the third quarter. Although the Company experienced a modest rebound in the United States in October, there continues to be uncertainty regarding current world tensions, terrorist threats, and the U.S. military action in Afghanistan and the corresponding impact on the Company's business, particularly in the United States and the Southeast Asia region.
- (b) Because a substantial majority of the Company's sales are generated from the Asian regions, particularly from Japan and Taiwan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by
 - renewed or sustained weakness of Asian economies or consumer confidence,
 - weakening of foreign currencies, particularly the Japanese yen in light of current economic and political conditions, or
 - higher than anticipated expenses associated with the Company's Japanese convention and other initiatives.
- (c) Many of the initiatives and strategies that have helped stabilize revenue in Japan, and which the Company believes have helped stabilize revenue in Taiwan, have only been recently introduced and there is still uncertainty concerning the long-term effect of these initiatives. There can be no assurance that such initiatives will continue to be successful

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or that planned initiatives for future periods will have a similar impact. In addition, there is a risk that the continued refinement and implementation of the Company's divisional strategy, Internet initiatives and promotions could create renewed confusion or uncertainty among distributors and not increase distributor productivity. In addition, costs associated with these initiatives, particularly the Internet and related technology initiatives, may be greater than anticipated.

- (d) The ability of the Company to retain its key and executive level distributors or to sponsor new executive distributors is critical to the Company's success. Because the Company's products are distributed exclusively through its distributors, the Company's operating results could be adversely affected if the Company's existing and new business opportunities and products do not generate sufficient economic incentive to retain its existing distributors or to sponsor new distributors on a sustained basis, or if the Company receives adverse publicity.
- (e) Risks associated with the Company's new product offerings and initiatives planned for the remainder of 2001 and the beginning of 2002, including:
 - the risk that such products will not gain market acceptance or meet the Company's expectations,
 - the risk that sales from such product offerings could reduce sales of existing products and not generate significant incremental revenue growth or help increase distributor numbers and productivity,
 - technological problems could delay or adversely affect the Company's Internet and technology initiatives; and
 - any legal or regulatory restrictions that might delay or prevent the Company from offering its new products into all of its markets or limit the ability of the Company to effectively market such products.
- (f) Risks associated with efforts to renew growth in the United States, including:
 - the risk that the Company's efforts to harmonize and simplify its divisional approach in the United States will not be sufficient to generate sustained and renewed sponsoring and sales activities in the United States by its distributors, and
 - uncertainties concerning the actual impact that the new initiatives and enhancements to distributor incentives will have on revenue and distributor incentives as a percentage of revenue.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the section entitled "Currency Risk and Exchange Rate Information" in "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part I and also in Note 4 to the Financial Statements contained in Item 1 of Part I.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 for information concerning legal proceedings.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	Exhibits Regulation S-K <u>Number</u>	<u>Description</u>
	10.1	Sale and Purchase Agreement between the Company and Dato' Mohd Nadzmi Bin Mohd Sulleh dated the 17th day of August, 2001
	10.2	Sale and Purchase Agreement between the Company and Kiow Kim Yoon Frankie Kiow dated the 17th day of August, 2001
(b)		Reports on Form 8-K. No current Reports on Form 8-K were filed during the quarter ended September 30, 2001.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of November, 2001.

NU SKIN ENTERPRISES, INC.

By: /s/ Corey B. Lindley
Corey B. Lindley
Its: Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

- 10.1 Sale and Purchase Agreement between the Company and Dato' Mohd Nadzmi Bin Mohd Sulleh dated the 17th day of August, 2001
- 10.2 Sale and Purchase Agreement between the Company and Kiow Kim Yoon Frankie Kiow dated the 17th day of August, 2001

DATED THIS 17TH DAY OF AUGUST, 2001

BETWEEN

NU SKIN ENTERPRISES, INC.
(as VENDOR)

AND

DATA' MOHD NADZMI MOHD SALLEH
(as PURCHASER)

SALE & PURCHASE AGREEMENT
(in respect of 450,000 ordinary shares of RM1.00 each in
NU SKIN MALAYSIA HOLDINGS SDN. BHD.)

**KHAW & PARTNERS
ADVOCATES & SOLICITORS
KUALA LUMPUR**

THIS AGREEMENT is made this 17th day of August 2001

BETWEEN

NU SKIN ENTERPRISES, INC., a company incorporated in the State of Delaware, United States of America and having its principal place of business at 75 West Center Street, Provo, Utah 84601, United States of America of the one part

AND

DATO' MOHD NADZMI BIN MOHD SALLEH (NRIC No. 540501-0305293) of No. 36-1, Jalan PJU8/5B, Perdana Business Centre, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan of the other part.

WHEREAS:-

I. **NSMH**

- A) NSMH is a private limited company incorporated in Malaysia on 3.7.2001.
- B) As at the date of this Agreement:-
 - i) the authorised share capital of NSMH is **RM100,000.00** (Ringgit One Hundred Thousand) divided into **100,000** (One Hundred Thousand) Ordinary NSMH Shares;
 - ii) the issued and paid up share capital of NSMH is **RM2.00** (Ringgit Two) divided into **2** (Two) Ordinary NSMH Shares and held entirely by the VENDOR; and
 - iii) NSMH is currently not carrying on any business.

II. **NSM**

- A) NSM, a wholly owned subsidiary of NSMH, is a private limited company incorporated in Malaysia in 19.9.1996
- B) As at the date of this Agreement:-
 - i) the authorised share capital of NSM is **RM100,000.00** (Ringgit One Hundred Thousand) divided into **100,000** (One Hundred Thousand) Ordinary NSM Shares;
 - ii) the issued and paid up share capital of NSM is **RM2.00** (Ringgit Two) divided into **2** (Two) Ordinary NSM Shares and held entirely by NSMH; and
 - iii) NSMH is currently not carrying on any business.

III. **APPLICATION BY NSM OF A DIRECT SALE LICENCE**

- A) NSM is desirous of undertaking a multi-level direct sales business in Malaysia and is preparing an application for

submission to the MDTCA for the issue by the MDTCA to NSM of a DS Licence.

- B) To fulfil the equity requirements set out by the MDTCA pursuant to the DS Guidelines, the VENDOR is willing to restructure NSMH (as the holding company of NSM) and to divest, in the manner described in Recital III(C), its right to **70%** (Seventy percent) of its effective equity shareholdings in NSM to Malaysians, including **30%** (Thirty percent) thereof to Bumiputera Malaysian.
- C) The VENDOR intends, by this Agreement, to divest to the PURCHASER, its right to **30%** (Thirty Percent) of the share capital of NSMH as restructured. As the VENDOR is currently identifying prospective Malaysian Bumiputera investor(s) with a view to divesting the 10% Block to such investor(s), the PURCHASER understands and accepts that, following the completion of the sale and purchase of the Sale Shares, his equity interest in the enlarged share capital of NSMH will be diluted and so as to maintain the PURCHASER's shareholdings in NSMH at **20%** (Twenty Percent), the VENDOR is willing to divest further Ordinary NSMH Shares to the PURCHASER [or his nominee(s)] upon such terms and conditions to be agreed upon. The VENDOR is currently in discussion with LEMBAGA TABUNG ANGKATAN TENTERA with a view to its being the Malaysian Bumiputera investor to take up the 10% Block pursuant to the proposed divestment.
- D) As currently envisaged, NSM's equity restructuring exercise for the purposes of compliance with the DS Guidelines will encompass the following:-
- i) following the grant by MTDCA of the DS Approval, the VENDOR will do the following acts and things in the following order:-
- a) cause NSMH to increase its authorised share capital to RM5,000,000.00 (Ringgit Five Million) divided into **2,500,000** (Two Million and Five Hundred Thousand) Ordinary NSMH Shares and **2,500,000** (Two Million and Five Hundred Thousand) ICPS;
 - b) cause NSMH to increase its issued share capital to RM2,500,000.00 (Ringgit Two Million and Five Hundred Thousand) divided into **2,500,000** (Two Million and Five Hundred Thousand) ICPS, all of which are to be subscribed for by the VENDOR at par payable upon allotment;
 - c) cause NSM to increase its authorised share capital to RM5,000,000.00 (Ringgit Five Million) divided into **5,000,000** (Five Million) Ordinary NSM Shares;
 - d) cause NSM to increase its issued share capital to RM2,500,000.00 (Ringgit Two Million and Five Hundred Thousand) divided into **2,500,000** (Two Million and Five Hundred Thousand) Ordinary NSM Shares, all of which are to be subscribed for by NSMH at par payable upon allotment;
 - e) convert 1,500,000 (One Million and Five Hundred Thousand) ICPS into **1,500,000** (One Million and Five Hundred Thousand) Ordinary NSMH Shares;
 - f) complete in accordance with the provisions of this Agreement, the sale by the VENDOR to the PURCHASER of the Sale Shares; and
 - g) complete in accordance with the provisions of the SPA(Nadzmi), the sale by the VENDOR to Dato' Nadzmi of **600,000** (Six Hundred Thousand) Ordinary NSMH Shares comprising **40%** (Forty Percent) of NSMH's total issued share capital immediately upon the completion of SPA(Nadzmi).
- ii) following the fulfilment of all of the conditions precedent contained in SPA(OBI), the VENDOR will do the following acts and things in the following order:-
- a) convert 750,000 (Seven Hundred and Fifty Thousand) ICPS held by it in NSMH into **750,000** (Seven Hundred and Fifty Thousand) Ordinary NSMH Shares;
 - b) complete, in accordance with the provisions of SPA(OBI), the sale by the VENDOR to the Other Bumiputera Investor of the 10% Block; and
 - c) divest to FRANKIE, a further **300,000** (Three Hundred Thousand) Ordinary NSMH Shares so as to maintain his equity shareholding interest in NSMH at **40%** (Forty Percent) of NSMH's enlarged share capital.

IV. AGREEMENT FOR SALE AND PURCHASE OF SALE SHARES

The PURCHASER wishes to purchase and the VENDOR is willing to sell to the PURCHASER, the Sale Shares on a willing buyer and willing seller basis at the Purchase Price upon the terms and subject to the conditions hereinafter appearing.

V. SPA(FK)

Prior to or simultaneously with the execution of this Agreement, the VENDOR will enter into the SPA(FK) whereby the VENDOR will sell to Dato' Nadzmi, upon the terms and subject to the conditions therein appearing, **600,000** (Six Hundred Thousand) Ordinary NSMH Shares.

NOW IT IS HEREBY AGREED as follows:-

1. DEFINITIONS & INTERPRETATION

1.1. Definitions

In this Agreement, unless the context otherwise requires, the following expressions shall have the meanings set forth opposite such expressions:-

"Completion":	the completion in accordance with the provisions of this Agreement of the sale by the VENDOR and the purchase by the PURCHASER of the Sale Shares
"Completion Confirmation"	the confirmation (substantially in the form of "Annexure 1") signed by the Parties upon Completion of the Sale Shares pursuant to Clause 4.3
"Completion Date"	the date stipulated by the VENDOR and occurring during the Completion Period on which Completion takes place
"Completion Period"	a period of 30 (Thirty) days commencing from the date on which all of the Conditions Precedent are fulfilled in accordance with the provisions of this Agreement
"Conditional Period"	a period of 3 (Three) calendar months commencing from the date of this Agreement and expiring on a date corresponding to the date of this Agreement (or such longer period as the Parties may mutually agree upon in writing)
"Conditions Precedent"	the conditions set forth in Clauses 2.1.1 to 2.1.4
"DS Application"	the application by NSM to MDTCA (in terms acceptable to NSM) for the grant of a DS Licence pursuant to the Direct Sales Act 1993 and the DS Guidelines
"DS Approval"	the approval of MDTCA described in Clause 2.1.1 and includes the reply to an appeal lodged therefor
"DS Guidelines"	the Guidelines for the Application of a Direct Sale Licence and the Guidelines on Foreign Participation in Wholesale and Retail Trade
"DS Licence"	a multi-level direct sales licence issued pursuant to the Direct Sales Act 1993
"Effective Clauses"	Clauses 1, 2 and 6 to 19
"FRANKIE"	KIOW KIM YOON, FRANKIE (NRIC No. 570723-08-6077) (former NRIC No. 5276427) of 27, Jalan Keruing, Kebun-Teh Park, Johor Baru, Johor
"ICPS"	an irredeemable convertible non voting preference share having a par value of RM1.00 (Ringgit One) each in NSMH
"Indebtedness":	the Purchase Price and all interest accrued thereon or any part thereof remaining unpaid by the PURCHASER from time to time to the VENDOR
"MDTCA"	Ministry of Domestic Trade & Consumer Affairs
"NSM"	NU SKIN (MALAYSIA) SDN. BHD. (Company No. 402787-V), a company incorporated in Malaysia under the Companies Act 1965 and having its registered address at c/o 6th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur
"NSMH"	NU SKIN MALAYSIA HOLDINGS SDN. BHD. (Company No. 552189-P), a company incorporated in Malaysia under the Companies Act 1965 and having its registered address at c/o 6th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur
"Ordinary NSM Share"	an ordinary share having a par value of RM1.00 (Ringgit One) in NSM
"Ordinary NSMH Share"	an ordinary share having a par value of RM1.00 (Ringgit One) in NSMH
"Other Bumiputera Investor"	such prospective Malaysian Bumiputera investor(s) (other than Dato' Nadzmi) as is identified by and as is acceptable to the VENDOR to acquire the 10% Block
"Parties"	the VENDOR and the PURCHASER
"Party"	either of the Parties
"PURCHASER":	DATO' MOHD NADZMI BIN MOHD SALLEH (NRIC No. 540501-03-5293) above described
"Purchase Price"	RM 8,920,000.00 (Ringgit Eight Million Nine Hundred and Twenty Thousand)
"Sale"	450,000 (Four Hundred and Fifty Thousand) Ordinary NSMH Shares to be held by the VENDOR as

Shares"	the beneficial owner thereof following the conversion of ICPS referred to in Recital III(D)(i)(e)
"SPA (FK)" :	the sale and purchase agreement for the sale by the VENDOR and the purchase by FRANKIE of 600,000 (Six Hundred Thousand) Ordinary NSMH Shares described in Recital V and includes such variations and modifications as may be agreed between the parties thereto
"SPA (OBI)" :	the sale and purchase agreement for the sale by the VENDOR and the purchase by the Other Bumiputera Investor of the 10% Block and includes such variations and modifications as may be agreed between the parties thereto
"10% Block" :	225,000 (Two Hundred and Twentey Five THousand) Ordinary NSMH Shares or such other number of Ordinary NSMH Shares as is equivalent to 10% (Ten Percent) of NSMH's enlarged issued share capital following the shares subscription referred to in Recital III(D)(ii)(a)
"VENDOR" :	NU SKIN ENTERPRISES, INC.(Registration No. 2659781) above described

1.2 Interpretation

- 1.2.1 The Annexures hereto shall be taken, read and construed as essential parts of this Agreement. The headings in this Agreement are inserted for convenience of reference only and shall not be taken, read and construed as essential parts of this Agreement.
- 1.2.2 All references to Annexures, Recitals and Clauses are to be construed as references to the annexures, recitals and clauses of this Agreement. All references to provisions of statutes include such provisions as modified, re-certified or re-enacted. All references to this Agreement include this Agreement as amended or modified from time to time by written agreement between the Parties. All references to a natural person shall include such person's heirs, personal representatives, successors-in-title and permitted assigns. All references to a company shall include such company's successors-in-title and permitted assigns.
- 1.2.3 Except where the context otherwise requires, words applicable to natural persons include any body of persons, company, corporation, firm or partnership corporate or incorporate and vice versa; words importing the masculine gender shall include the feminine and neuter genders and vice versa; words importing the singular number shall include the plural number and vice versa.
- 1.2.4 Where two or more persons or parties are included or comprised in any expression, agreements, covenants, terms, stipulations and undertakings expressed to be made by or on the part of such persons shall, unless otherwise provided herein, be deemed to be made by and be binding upon such persons jointly and severally.
- 1.2.5 In computing time for the purposes of this Agreement, unless the contrary intention appears, a period of days from the happening of an event or the doing of any act or thing shall be deemed to be exclusive of the day on which the event happens or the act or thing is done and if the last day of the period is a weekly or public holiday, the period shall include the next following day which is not a weekly or public holiday.

2. CONDITIONS PRECEDENT

2.1 Approvals

The provisions of this Agreement (save for the Effective Clauses) are conditional upon the fulfilment of the following conditions within the Conditional Period:-

- 2.1.1 the grant by MDTCA to NSM of its approval for the issue of a DS Licence upon such terms and conditions acceptable to NSM and the VENDOR;
- 2.1.2 the subscription by the VENDOR of **2,500,000** (Two Million and Five Hundred Thousand) ICPS in NSMH at par payable in full upon allotment;
- 2.1.3 the subscription by NSMH of **2,500,000** (Two Million and Five Hundred Thousand) Ordinary NSM Shares at par to be paid in full upon allotment; and
- 2.1.4 the execution by the VENDOR, FRANKIE and the PURCHASER of a Shareholders Agreement (as holders of NSMH Shares) in terms acceptable to the NU SKIN.

2.2 Fulfilment of the Conditions Precedent

- 2.2.1 The VENDOR shall use its best endeavours to procure, at its own costs and expense, the fulfilment of the Conditions Precedent described in Clause 2.1.2 and 2.1.3.
- 2.2.2 The VENDOR shall procure NSM to submit the DS Application to MDTCA. The PURCHASER shall use its best endeavours to assist NSM to obtain, in a timely manner, the DS Approval and the issue of the DS Licence.
- 2.2.3 Each Party shall promptly sign and do all documents, acts and things required by applicable laws, regulations and guidelines to be signed and done by such Party to procure the fulfilment with all due speed of the Conditions Precedent AND, if so requested by such Party, the other Party shall, upon written request, provide such information and particulars as may be necessary or reasonably required to procure the fulfilment of the Conditions Precedent.

2.3 Approvals deemed unacceptable

The DS Approval shall be deemed not to be granted and the Conditions Precedent shall be deemed to be unfulfilled in the following cases:-

- 2.3.1 if MDTCA does not grant the DS Approval within the Conditional Period; and

2.3.2 if MDTCA grants (within the Conditional Period) the DS Approval upon terms and/or conditions which are unacceptable to NSM and the VENDOR and upon any appeal thereof (lodged upon terms and grounds deemed appropriate by NSM and the VENDOR), the terms and/or conditions of the DS Approval are not modified or are modified in such manner that they remain unacceptable to NSM and the VENDOR.

2.4. **Waiver & non-fulfilment of Conditions Precedent**

2.4.1 The VENDOR may (but shall not be obliged to) waive or modify (by written agreement between the Parties) any of the Conditions Precedent referred to in Clauses 2.1.1 to 2.1.4 whereupon the Condition Precedent concerned shall be deemed to be (as applicable) deleted or modified as aforesaid.

2.4.2 If all or any of the Conditions Precedent (as shall not have been waived pursuant to the foregoing provisions) are not fulfilled within the Conditional Period, this Agreement shall (unless extended by written consent between the Parties) become null and void and the respective obligations of the Parties hereunder (including the Effective Clauses) shall wholly cease and no Party shall have any claim hereunder against the other Party save in respect of any antecedent breach of any provision of this Agreement.

3. **AGREEMENT FOR SALE & PURCHASE OF THE SALE SHARES**

Following the fulfilment of the Conditions Precedent, the VENDOR (as the beneficial owner of the Sale Shares) shall sell to the PURCHASER and the PURCHASER shall purchase from the VENDOR on a willing buyer and willing seller basis, the Sale Shares at the Purchase Price and upon the terms and conditions herein set forth:-

3.1 free from all charges, liens, equities, third party interest or other encumbrances whatsoever; and

3.2 with all rights, benefits and advantages attached thereto including all dividends and other distributions which may be declared, made or paid in respect of the Sale Shares subsequent to the Completion Date.

4. **COMPLETION OF THE SALE & PURCHASE OF SALE SHARES**

4.1 **Completion Date**

If the Conditions Precedent are fulfilled (in accordance with the provisions of this Agreement) within the Conditional Period, completion of the sale and purchase hereunder of the Sale Shares shall take place simultaneously with the completion of SPA(Nadzmi) on the Completion Date at Khaw & Partners' office at 6th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur (or such other place acceptable to the PURCHASER as the VENDOR may nominate.

4.2 **VENDOR's obligations on Completion**

Unless the Parties otherwise agree in writing, the VENDOR shall, at Completion:-

4.2.1 convert **1,500,000** (One Million and Five Hundred Thousand) ICPS in NSMH held by the VENDOR into **1,500,000** (One Million and Five Hundred Thousand) Ordinary NSMH Shares;

4.2.2 cause NSMH to issue directly to the PURCHASER, such number of Ordinary NSMH Shares (as converted) as is equivalent to the Sale Shares;

4.2.3 cause NSMH to deliver to the PURCHASER, the original share certificate(s) to the Sale Shares issued in the name of the PURCHASER; and

4.2.4 cause the appointment of the PURCHASER's nominee as a director of NSMH and the PURCHASER as a director NSM (Subject to the PURCHASER's delivery to the VENDOR not less than **7** (Seven) days prior to the Completion Date, of **3** (Three) copies of Forms 48A of the Companies Regulations 1966 duly completed and sworn by the PURCHASER for his appointment as director of NSM and NSMH.

4.3 **Completion Confirmation**

4.3.1 Following and subject to Completion, the Parties shall execute the Completion Confirmation.

4.3.2 The execution by a Party of the Completion Confirmation pursuant to Clause 4.3.1 shall be without prejudice to the other Party's rights and remedies in this Agreement against the first mentioned Party none of which rights shall be deemed to be thereby waived or varied by the second mentioned Party.

4.4 **Other acts & things**

The VENDOR shall also execute and do, all such other documents, acts and things (if any) as the PURCHASER may reasonably require of the VENDOR to perfect the right, title and interest of the PURCHASER in and to the Sale Shares.

4.5 **No Partial Completion**

Unless the VENDOR otherwise agrees in writing:-

4.5.1 the PURCHASER shall not be entitled to complete the purchase of some only of the Sale Shares and the failure by the

PURCHASER to complete the purchase hereunder of any number of the Sale Shares shall accordingly be construed as a failure to complete in respect of all of the Sale Shares; and

4.5.2 the VENDOR shall be entitled, notwithstanding any provisions to the contrary herein, to terminate this Agreement if the PURCHASER fails to complete the purchase of all of the Sale Shares.

5. **PURCHASE PRICE**

5.1 **Payment of the Purchase Price**

5.1.1 At the request of the PURCHASER, the VENDOR agrees:-

- i) to defer payment by the PURCHASER of the Purchase Price so long as the PURCHASER holds the Sale Shares as the registered holder and the beneficial owner thereof following Completion; and
- ii) to the application by the PURCHASER of all dividends and other cash distributions (if any) made by NSMH from time to time towards payment of the indebtedness.

5.1.2 The PURCHASER agrees and undertakes with the VENDOR that the PURCHASER shall:-

- i) pay the Indebtedness to the VENDOR upon demand by the VENDOR in the event that following Completion, the PURCHASER ceases to hold, as the registered holder and beneficial owner thereof, any of the Sale Shares; and
- ii) until the Indebtedness shall be paid in full by the PURCHASER to the VENDOR, direct and authorise NSMH to pay directly to the VENDOR, all such dividends and other cash distributions (if any) as are payable by NSMH to the PURCHASER.

5.1.3 If on the date of the **4th** (Forth) anniversary of the date of the Completion Confirmation, all of the Indebtedness shall not have been paid by the PURCHASER to the VENDOR, then subject to the application prior thereto by the PURCHASER of all dividends and other cash distributions paid by NSMH to the PURCHASER, the VENDOR shall waive its right to payment by the PURCHASER of all such balance of the Indebtedness as may then remain unpaid by the PURCHASER to VENDOR.

5.2 **Interest**

5.2.1 The PURCHASER shall pay to the VENDOR, interest on such part of the Purchase Price remaining unpaid from time to time at the rate of **2%** (Two Percent) per annum calculated from the due date for payment of the Purchase Price and until the date of full payment thereof.

5.2.2 The PURCHASER agrees that any payment made by or on behalf of the PURCHASER towards payment of the Indebtedness shall firstly be utilised towards settlement of the interest charged pursuant to Clause 5.2.1.

5.3. **Indebtedness as debt**

The PURCHASER acknowledges that such part of the Indebtedness as remains unpaid from time to time by the PURCHASER to the VENDOR shall constitute a valid debt payable by the PURCHASER to the VENDOR in accordance with the provisions hereof and all such other documents as may be agreed upon by the Parties with or without others.

5.4. **Security**

Until the full payment of Indebtedness to the VENDOR, the PURCHASER shall create in favour of and grant to the VENDOR and/or the VENDOR's nominee, such security interest (including a charge) and powers and rights over inter alia the Sale Shares and execute and perfect such security documentation (including a memorandum of charge in such terms and conditions acceptable to the VENDOR) as the VENDOR may require to secure the payment of the Indebtedness.

5.5 **Certificate**

A certificate duly signed by the VENDOR stating the amount of the Indebtedness payable by the PURCHASER to the VENDOR from time to time and at any time shall be final, conclusive and binding on the PURCHASER and shall not, in the absence of manifest error, be questioned on any account.

6. **PARTIES' RESPECTIVE WARRANTIES**

6.1 **VENDOR's WARRANTIES**

The VENDOR hereby represents and warrants to the PURCHASER that:-

- 6.1.1 the statements in Recital I, II, III(A) and V are true and accurate;
- 6.1.2 the VENDOR will, at Completion, be the beneficial owner of the Sale Shares; and
- 6.1.3 the Sale Shares are free from all charges, liens, equities, third party interest or other encumbrances whatsoever.

6.2. **PURCHASER's Warranties**

The PURCHASER hereby represents and warrants to the VENDOR that:-

- 6.2.1 the PURCHASER is not a bankrupt and has not committed any act of bankruptcy;
- 6.2.2 the PURCHASER has not committed any criminal offence;
- 6.2.3 the PURCHASER and his legal, financial and other advisors (if any) have the financial and business experience to make an informed decision for an investment and acquisition of the Sale Shares and the PURCHASER together with such advisors has evaluated the feasibility of an acquisition of or investment in the Sale Shares;
- 6.2.4 the PURCHASER and his legal, financial and other advisors (if any) have had ample opportunity to investigate the proposed business of NSMH and NSM and to review all relevant documents and to ask all such questions of such persons and representatives of the VENDOR as the PURCHASER and its advisors consider necessary for purposes of making an informed decision for an investment in and acquisition of the Sale Shares;
- 6.2.5 the PURCHASER has determined on the basis of his own investigation that the Purchase Price is fair and a reasonable valuation of the Sale Shares;
- 6.2.6 except for the representations and warranties contained in this Agreement, the PURCHASER is not relying on any representation or warranty (whether given by the VENDOR or otherwise) in making his decision to invest in and to acquire the Sale Shares; and
- 6.2.7 that the PURCHASER is purchasing the Sale Share for his own account, for investment purposes only, not for the account of any other person and not with a view to the distributions, assignment or resale thereof to others.

6.3 **Subsistence of warranties**

The representations, warranties and agreements given or made by the respective Parties under this Agreement shall remain in full force and effect and shall continue to subsist hereafter notwithstanding Completion which will take place on the basis of the statements made herein.

6.4 **Breach of warranty before Completion**

If prior to Completion, any of the representations and warranties on the part of a Party have not been carried out or complied with or are in any material respects untrue or incorrect (and in respect of any breach which is capable of remedy, such Party have failed to remedy such breach within 14 (Fourteen) days after the other Party's written notice to the first mentioned Party requiring the same to be remedied) the second mentioned Party shall be entitled by notice in writing to the first mentioned Party to terminate this Agreement (without prejudice to the second mentioned Party's rights and remedies at law and hereunder in respect of the first Party's misrepresentation and/or breach of warranty).

7. **NOTICES**

7.1 **Written notices**

Any notice or request with reference to this Agreement shall be in writing signed by the Party by whom it is served or by its solicitors and shall be deemed to be sufficiently served or given for all purposes herein on the Party to whom it is served if it is left by hand at or sent by commercial courier, registered post or facsimile (with copy by hand or commercial courier or ordinary or registered post) to (as applicable) the address of the Party to whom it is sent as set out below or the registered office for the time being of such Party or such other address as one Party may from time to time notify to the other Party in writing.

7.1.1 **to the VENDOR**

NU SKIN ENTERPRISES, INC.
75 West Center Street
Provo, Utah 84601,
United States of America
Telefax: 00 1 801 345 3899
Attn:

7.1.2 **to the PURCHASER**

NU SKIN ENTERPRISES, INC.
DATO' MOHD NADZMI BIN MOHD SALLEH
No. 36-1, Jalan PJU8/5B
Perdana Business Centre
47820 Petaling Jaya
Selengor Darul Ehsan
Telefax:

7.2 **Time of service**

A notice sent:-

- 7.2.1 by facsimile (and confirmed by the delivery of a copy thereof by hand or commercial courier or ordinary or registered post) shall be deemed to have been served and received upon completion of the effective transmission of such notice and a written record of the transmission is printed out from the sender's facsimile machine;

- 7.2.2 by ordinary or registered post within Malaysia shall be deemed to have been served and received on the **3rd** (Third) day occurring after the date on which it is posted;
- 7.2.3 by an ordinary or registered post outside Malaysia shall be deemed to have been served and received on the **10th** (Tenth) day occurring after the date on which it is posted;
- 7.2.4 by hand or commercial courier shall be deemed to have been served at the time of delivery of the notice.

8. **COSTS**

8.1 **Solicitors costs**

Each Party shall bear its own solicitors' costs of and incidental to this Agreement.

8.2 **Stamp duty on purchase of Sale Shares**

As the intended purchaser hereunder of the Sale Shares, the PURCHASER shall bear the stamp duty chargeable on this Agreement and its acquisition of the Sale Shares (if any) and all other relevant documents incidental to this Agreement and, if relevant, any penalties for late stamping.

9. **TIME**

Time wherever mentioned shall be the essence of this Agreement

10. **AUTHORITY TO EXECUTE AGREEMENT**

Each of the Parties warrants to the other Party:-

- 10.1 that it/he has (as applicable) the power, authority and capacity to enter into and to execute and deliver this Agreement and to carry the terms hereof into effect; and
- 10.2 that it/his agreements and undertakings as contained in this Agreement constitute legal, valid and binding obligations on it in accordance with the provisions herein.

11. **GOVERNING LAW & JURISDICTION**

This Agreement is governed by the laws of Malaysia and subject to Clause 12, the Parties submit themselves and their assets to the non-exclusive jurisdiction of the courts in Malaysia.

12. **ARBITRATION**

12.1 **Reference to Arbitration**

Any dispute or difference which may arise between the Parties at any time hereafter whether during the continuance in force of this Agreement or upon or after its termination, touching any matter or thing herein contained or the operation or construction of this Agreement or any matter or thing in any way connected with, arising from or in relation to this Agreement or the rights, duties, liabilities of the Parties hereunder shall be finally settled by arbitration in accordance with the United Nations Commission on International Trade Law Arbitration Rules 1976.

12.2 **Arbitral Proceedings**

A reference to arbitration shall be to **3** (Three) arbitrators. The arbitration shall be held in Provo, Utah, United States of America and the language to be used in the arbitral proceedings shall be English.

12.3 **Interim remedies**

Pending the establishment of the arbitral tribunal, the Parties may apply to the courts in Malaysia (which shall be a non-exclusive jurisdiction) for the grant of interim injunctions and orders for the protection and preservation of property subject of or relating to this Agreement.

13. **NO WAIVER**

Knowledge or acquiescence by any Party of or in any breach of any of the terms, conditions or covenants herein contained shall not operate as or be deemed to be a waiver of such terms, conditions or covenants or any of them and notwithstanding such knowledge or acquiescence, such Party shall be entitled to exercise such Party's rights under this Agreement and to require strict performance by the other Parties of the terms, conditions and covenants herein.

14. **AMENDMENTS**

Any amendment or alteration to or modification of any part of this Agreement shall be conferred upon and determined in writing by mutual consultation between the Parties.

15. **SEVERABILITY**

Any term, condition, stipulation, provision, covenant or undertaking in this Agreement which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibitions or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition stipulation, provision, covenant or undertaking herein contained.

16. **ENTIRETY OF AGREEMENT**

This Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous proposals, negotiations and understandings whether written or oral between the Parties with respect to the subject matter hereof.

17. **NON-ASSIGNABILITY**

No Party shall be entitled to assign such Party's rights and/or obligations hereunder without the prior written consent of the other Party.

18. **SUCCESSORS-IN-TITLE**

This Agreement shall be binding on the successors-in-title and permitted assigns of the VENDOR and the heirs, personal representatives and permitted assigns of the PURCHASER.

19. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the Parties may execute this Agreement by signing any such counterpart.

IN WITNESS WHEREOF the Parties have hereunto executed this Agreement the day and year first above written.

SIGNED BY
D. MATTHEW DORNY
for and on behalf of
NU SKIN ENTERPRISES, INC.
the VENDOR aforesaid
in the presence of:-

.....
signature of witness

Name:
Passport No:

SIGNED BY
DATA' MOHD NADZMI
BIN MOHD SALLEH
the PURCHASER aforesaid
in the presence of:-)

This is the execution page of the Sale and Purchase Agreement dated the _____ day of _____ 2001 between NU SKIN ENTERPRISES, INC. and DATO' MOHD NADZMI BIN MOHD SALLEH (NRIC No. 540501-03-5293) in respect of the sale and purchase of shares in NU SKIN MALAYSIA HOLDINGS SDN. BHD.

"Annexure 1" to the Sale and Purchase Agreement dated the _____ day of _____ 2001 between NU SKIN ENTERPRISES, INC. and KIW KIM YOON, FRANKIE

FORM OF COMPLETION CONFIRMATION

COMPLETION CONFIRMATION

issued pursuant to Clause 4.3 of the Sale and Purchase Agreement dated ("SPA") between:-

BETWEEN

NU SKIN ENTERPRISES, INC.
(as VENDOR)

AND

KIOW KIM YOON
(as PURCHASER)

SALE & PURCHASE AGREEMENT
(in respect of 600,000 ordinary shares of RM1.00 each in
NU SKIN MALAYSIA HOLDINGS SDN. BHD.)

**KHAW & PARTNERS
ADVOCATES & SOLICITORS
KUALA LUMPUR**

THIS AGREEMENT is made this 17th day of August 2001

BETWEEN

NU SKIN ENTERPRISES, INC., a company incorporated in the State of Delaware, United States of America and having its principal place of business at 75 West Center Street, Provo, Utah 84601, United States of America of the one part

AND

KIOW KIM YOON, FRANKIE (NRIC No. 570723-08-6077) (Former NRIC No. 5276427) of 27, Jalan Keruing, Kebun-Teh Park, Johor Baru of the other part.

WHEREAS:-

I. **NSMH**

- A) NSMH is a private limited company incorporated in Malaysia on 3.7.2001.
- B) As at the date of this Agreement:-
 - i) the authorised share capital of NSMH is **RM100,000.00** (Ringgit One Hundred Thousand) divided into **100,000** (One Hundred Thousand) Ordinary NSMH Shares;
 - ii) the issued and paid up share capital of NSMH is **RM2.00** (Ringgit Two) divided into **2** (Two) Ordinary NSMH Shares and held entirely by the VENDOR; and
 - iii) NSMH is currently not carrying on any business.

II. **NSM**

- A) NSM, a wholly owned subsidiary of NSMH, is a private limited company incorporated in Malaysia in 19.9.1996
- B) As at the date of this Agreement:-
 - i) the authorised share capital of NSM is **RM100,000.00** (Ringgit One Hundred Thousand) divided into **100,000** (One Hundred Thousand) Ordinary NSM Shares;
 - ii) the issued and paid up share capital of NSM is **RM2.00** (Ringgit Two) divided into **2** (Two) Ordinary NSM Shares and held entirely by NSMH; and
 - iii) NSMH is currently not carrying on any business.

III. **APPLICATION BY NSM OF A DIRECT SALE LICENCE**

- A) NSM is desirous of undertaking a multi-level direct sales business in Malaysia and is preparing an application for

submission to the MDTCA for the issue by the MDTCA to NSM of a DS Licence.

- B) To fulfil the equity requirements set out by the MDTCA pursuant to the DS Guidelines, the VENDOR is willing to restructure NSMH (as the holding company of NSM) and to divest, in the manner described in Recital III(C), its right to **70%** (Seventy percent) of its effective equity shareholdings in NSM to Malaysians, including **30%** (Thirty percent) thereof to Bumiputera Malaysian.
- C) The VENDOR intends, by this Agreement, to divest to the PURCHASER, its right to **40%** (Forty Percent) of the share capital of NSMH as restructured. As the VENDOR is currently identifying prospective Malaysian Bumiputera investor(s) with a view to divesting the 10% Block to such investor(s), the PURCHASER understands and accepts that, following the completion of the sale and purchase of the Sale Shares, his equity interest in the enlarged share capital of NSMH will be diluted and so as to maintain the PURCHASER's shareholdings in NSMH at **40%** (Forty Percent), the VENDOR is willing to divest further Ordinary NSMH Shares to the PURCHASER [or his nominee(s)] upon such terms and conditions to be agreed upon. The VENDOR is currently in discussion with LEMBAGA TABUNG ANGKATAN TENTERA with a view to its being the Malaysian Bumiputera investor to take up the 10% Block pursuant to the proposed divestment.
- D) As currently envisaged, NSM's equity restructuring exercise for the purposes of compliance with the DS Guidelines will encompass the following:-
- i) following the grant by MTDCA of the DS Approval, the VENDOR will do the following acts and things in the following order:-
- a) cause NSMH to increase its authorised share capital to RM5,000,000.00 (Ringgit Five Million) divided into **2,500,000** (Two Million and Five Hundred Thousand) Ordinary NSMH Shares and **2,500,000** (Two Million and Five Hundred Thousand) ICPS;
 - b) cause NSMH to increase its issued share capital to RM2,500,000.00 (Ringgit Two Million and Five Hundred Thousand) divided into **2,500,000** (Two Million and Five Hundred Thousand) ICPS, all of which are to be subscribed for by the VENDOR at par payable upon allotment;
 - c) cause NSM to increase its authorised share capital to RM5,000,000.00 (Ringgit Five Million) divided into **5,000,000** (Five Million) Ordinary NSM Shares;
 - d) cause NSM to increase its issued share capital to RM2,500,000.00 (Ringgit Two Million and Five Hundred Thousand) divided into **2,500,000** (Two Million and Five Hundred Thousand) Ordinary NSM Shares, all of which are to be subscribed for by NSMH at par payable upon allotment;
 - e) convert 1,500,000 (One Million and Five Hundred Thousand) ICPS into **1,500,000** (One Million and Five Hundred Thousand) Ordinary NSMH Shares;
 - f) complete in accordance with the provisions of this Agreement, the sale by the VENDOR to the PURCHASER of the Sale Shares; and
 - g) complete in accordance with the provisions of the SPA(Nadzmi), the sale by the VENDOR to Dato' Nadzmi of **450,000** (Six Hundred Thousand) Ordinary NSMH Shares comprising **30%** (Thirty Percent) of NSMH's total issued share capital immediately upon the completion of SPA(Nadzmi).
- ii) following the fulfilment of all of the conditions precedent contained in SPA(OBI), the VENDOR will do the following acts and things in the following order:-
- a) convert 750,000 (Seven Hundred and Fifty Thousand) ICPS held by it in NSMH into **750,000** (Seven Hundred and Fifty Thousand) Ordinary NSMH Shares;
 - b) complete, in accordance with the provisions of SPA(OBI), the sale by the VENDOR to the Other Bumiputera Investor of the 10% Block; and
 - c) divest to the PURCHASER [or his nominee(s)], a further **300,000** (Three Hundred Thousand) Ordinary NSMH Shares so as to maintain his equity shareholding interest in NSMH at **40%** (Forty Percent) of NSMH's enlarged share capital.

IV. AGREEMENT FOR SALE AND PURCHASE OF SALE SHARES

The PURCHASER wishes to purchase and the VENDOR is willing to sell to the PURCHASER, the Sale Shares on a willing buyer and willing seller basis at the Purchase Price upon the terms and subject to the conditions hereinafter appearing.

V. SPA(Nadzmi)

Prior to or simultaneously with the execution of this Agreement, the VENDOR will enter into the SPA(Nadzmi) whereby the VENDOR will sell to Dato' Nadzmi, upon the terms and subject to the conditions therein appearing, **450,000** (Four Hundred and Fifty Thousand) Ordinary NSMH Shares.

NOW IT IS HEREBY AGREED as follows:-

1. DEFINITIONS & INTERPRETATION

1.1. Definitions

In this Agreement, unless the context otherwise requires, the following expressions shall have the meanings set forth opposite such expressions:-

"Completion":	the completion in accordance with the provisions of this Agreement of the sale by the VENDOR and the purchase by the PURCHASER of the Sale Shares
"Completion Confirmation"	the confirmation (substantially in the form of "Annexure 1") signed by the Parties upon Completion of the Sale Shares pursuant to Clause 4.3
"Completion Date"	the date stipulated by the VENDOR and occurring during the Completion Period on which Completion takes place
"Completion Period"	a period of 30 (Thirty) days commencing from the date on which all of the Conditions Precedent are fulfilled in accordance with the provisions of this Agreement
"Conditional Period"	a period of 3 (Three) calendar months commencing from the date of this Agreement and expiring on a date corresponding to the date of this Agreement (or such longer period as the Parties may mutually agree upon in writing)
"Conditions Precedent"	the conditions set forth in Clauses 2.1.1 to 2.1.4
"DS Application"	the application by NSM to MDTCA (in terms acceptable to NSM) for the grant of a DS Licence pursuant to the Direct Sales Act 1993 and the DS Guidelines
"DS Approval"	the approval of MDTCA described in Clause 2.1.1 and includes the reply to an appeal lodged therefor
"DS Guidelines"	the Guidelines for the Application of a Direct Sale Licence and the Guidelines on Foreign Participation in Wholesale and Retail Trade
"DS Licence"	a multi-level direct sales licence issued pursuant to the Direct Sales Act 1993
"Dato' Nadzmi"	DATO' MOHD NADZMI BIN MOHD SALLEH (NRIC No. 540501-03-5293) of No. 36-1, Jalan PJU8/5B, Perdana Business Centre, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan
"Effective Clauses"	Clauses 1, 2 and 6 to 19
"ICPS"	an irredeemable convertible non voting preference share having a par value of RM1.00 (Ringgit One) each in NSMH
"Indebtedness":	the Purchase Price and all interest accrued thereon or any part thereof remaining unpaid by the PURCHASER from time to time to the VENDOR
"MDTCA"	Ministry of Domestic Trade & Consumer Affairs
"NSM"	NU SKIN (MALAYSIA) SDN. BHD. (Company No. 402787-V), a company incorporated in Malaysia under the Companies Act 1965 and having its registered address at c/o 6th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur
"NSMH"	NU SKIN MALAYSIA HOLDINGS SDN. BHD. (Company No. 552189-P), a company incorporated in Malaysia under the Companies Act 1965 and having its registered address at c/o 6th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur
"Ordinary NSM Share"	an ordinary share having a par value of RM1.00 (Ringgit One) in NSM
"Ordinary NSMH Share"	an ordinary share having a par value of RM1.00 (Ringgit One) in NSMH
"Other Bumiputera Investor"	such prospective Malaysian Bumiputera investor(s) (other than Dato' Nadzmi) as is identified by and as is acceptable to the VENDOR to acquire the 10% Block
"Parties"	the VENDOR and the PURCHASER
"Party"	either of the Parties
"PURCHASER":	KIOW KIM YOON, FRANKIE above described
"Purchase Price"	RM (Ringgit))

"Sale Shares"	:	600,000 (Six Hundred Thousand) Ordinary NSMH Shares to be held by the VENDOR as the beneficial owner thereof following the conversion of ICPS referred to in Recital III(D)(i)(e)
"SPA (Nadzmi)"	:	the sale and purchase agreement for the sale by the VENDOR and the purchase by Dato' Nadzmi of 450,000 (Four Hundred and Fifty Thousand) Ordinary NSMH Shares described in Recital V and includes such variations and modifications as may be agreed between the parties thereto
"SPA (OBI)"	:	the sale and purchase agreement for the sale by the VENDOR and the purchase by the Other Bumiputera Investor of the 10% Block and includes such variations and modifications as may be agreed between the parties thereto
"VENDOR"	:	NU SKIN ENTERPRISES, INC. above described

1.2 Interpretation

- 1.2.1 The Annexures hereto shall be taken, read and construed as essential parts of this Agreement. The headings in this Agreement are inserted for convenience of reference only and shall not be taken, read and construed as essential parts of this Agreement.
- 1.2.2 All references to Annexures, Recitals and Clauses are to be construed as references to the annexures, recitals and clauses of this Agreement. All references to provisions of statutes include such provisions as modified, re-certified or re-enacted. All references to this Agreement include this Agreement as amended or modified from time to time by written agreement between the Parties. All references to a natural person shall include such person's heirs, personal representatives, successors-in-title and permitted assigns. All references to a company shall include such company's successors-in-title and permitted assigns.
- 1.2.3 Except where the context otherwise requires, words applicable to natural persons include any body of persons, company, corporation, firm or partnership corporate or incorporate and vice versa; words importing the masculine gender shall include the feminine and neuter genders and vice versa; words importing the singular number shall include the plural number and vice versa.
- 1.2.4 Where two or more persons or parties are included or comprised in any expression, agreements, covenants, terms, stipulations and undertakings expressed to be made by or on the part of such persons shall, unless otherwise provided herein, be deemed to be made by and be binding upon such persons jointly and severally.
- 1.2.5 In computing time for the purposes of this Agreement, unless the contrary intention appears, a period of days from the happening of an event or the doing of any act or thing shall be deemed to be exclusive of the day on which the event happens or the act or thing is done and if the last day of the period is a weekly or public holiday, the period shall include the next following day which is not a weekly or public holiday.

2. CONDITIONS PRECEDENT

2.1 Approvals

The provisions of this Agreement (save for the Effective Clauses) are conditional upon the fulfilment of the following conditions within the Conditional Period:-

- 2.1.1 the grant by MDTCA to NSM of its approval for the issue of a DS Licence upon such terms and conditions acceptable to NSM and the VENDOR;
- 2.1.2 the subscription by the VENDOR of **2,500,000** (Two Million and Five Hundred Thousand) ICPS in NSMH at par payable in full upon allotment;
- 2.1.3 the subscription by NSMH of **2,500,000** (Two Million and Five Hundred Thousand) Ordinary NSM Shares at par to be paid in full upon allotment; and
- 2.1.4 the execution by the VENDOR, the PURCHASER and Dato' Nadzmi of a Shareholders Agreement (as holders of NSMH Shares) in terms acceptable to the VENDOR.

2.2 Fulfilment of the Conditions Precedent

- 2.2.1 The VENDOR shall use its best endeavours to procure, at its own costs and expense, the fulfilment of the Conditions Precedent described in Clause 2.1.2 and 2.1.3.
- 2.2.2 The VENDOR shall procure NSM to submit the DS Application to MDTCA. The PURCHASER shall use its best endeavours to assist NSM to obtain, in a timely manner, the DS Approval and the issue of the DS Licence.
- 2.2.3 Each Party shall promptly sign and do all documents, acts and things required by applicable laws, regulations and guidelines to be signed and done by such Party to procure the fulfilment with all due speed of the Conditions Precedent AND, if so requested by such Party, the other Party shall, upon written request, provide such information and particulars as may be necessary or reasonably required to procure the fulfilment of the Conditions Precedent.

2.3 Approvals deemed unacceptable

The DS Approval shall be deemed not to be granted and the Conditions Precedent shall be deemed to be unfulfilled in the following cases:-

- 2.3.1 if MDTCA does not grant the DS Approval within the Conditional Period; and
- 2.3.2 if MDTCA grants (within the Conditional Period) the DS Approval upon terms and/or conditions which are unacceptable to

NSM and the VENDOR and upon any appeal thereof (lodged upon terms and grounds deemed appropriate by NSM and the VENDOR), the terms and/or conditions of the DS Approval are not modified or are modified in such manner that they remain unacceptable to NSM and the VENDOR.

2.4. **Waiver & non-fulfilment of Conditions Precedent**

- 2.4.1 The VENDOR may (but shall not be obliged to) waive or modify (by written agreement between the Parties) any of the Conditions Precedent referred to in Clauses 2.1.1 to 2.1.4 whereupon the Condition Precedent concerned shall be deemed to be (as applicable) deleted or modified as aforesaid.
- 2.4.2 If all or any of the Conditions Precedent (as shall not have been waived pursuant to the foregoing provisions) are not fulfilled within the Conditional Period, this Agreement shall (unless extended by written consent between the Parties) become null and void and the respective obligations of the Parties hereunder (including the Effective Clauses) shall wholly cease and no Party shall have any claim hereunder against the other Party save in respect of any antecedent breach of any provision of this Agreement.

3. **AGREEMENT FOR SALE & PURCHASE OF THE SALE SHARES**

Following the fulfilment of the Conditions Precedent, the VENDOR (as the beneficial owner of the Sale Shares) shall sell to the PURCHASER and the PURCHASER shall purchase from the VENDOR on a willing buyer and willing seller basis, the Sale Shares at the Purchase Price and upon the terms and conditions herein set forth:-

- 3.1 free from all charges, liens, equities, third party interest or other encumbrances whatsoever; and
- 3.2 with all rights, benefits and advantages attached thereto including all dividends and other distributions which may be declared, made or paid in respect of the Sale Shares subsequent to the Completion Date.

4. **COMPLETION OF THE SALE & PURCHASE OF SALE SHARES**

4.1 **Completion Date**

If the Conditions Precedent are fulfilled (in accordance with the provisions of this Agreement) within the Conditional Period, completion of the sale and purchase hereunder of the Sale Shares shall take place simultaneously with the completion of SPA(Nadzmi) on the Completion Date at Khaw & Partners' office at 6th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur (or such other place acceptable to the PURCHASER as the VENDOR may nominate.

4.2 **VENDOR's obligations on Completion**

Unless the Parties otherwise agree in writing, the VENDOR shall, at Completion:-

- 4.2.1 convert **1,500,000** (One Million and Five Hundred Thousand) ICPS in NSMH held by the VENDOR into **1,500,000** (One Million and Five Hundred Thousand) Ordinary NSMH Shares;
- 4.2.2 cause NSMH to issue directly to the PURCHASER, such number of Ordinary NSMH Shares (as converted) as is equivalent to the Sale Shares;
- 4.2.3 cause NSMH to deliver to the PURCHASER, the original share certificate(s) to the Sale Shares issued in the name of the PURCHASER; and
- 4.2.4 cause the appointment of the PURCHASER as a director of NSMH and NSM (subject to the PURCHASER's delivery to the VENDOR not less than **7** (Seven) days prior to the Completion Date, of **3** (Three) copies of Forms 48A of the Companies Regulations 1966 duly completed and sworn by the PURCHASER for his appointment as director of NSMH and NSM

4.3 **Completion Confirmation**

- 4.3.1 Following and subject to Completion, the Parties shall execute the Completion Confirmation.
- 4.3.2 The execution by a Party of the Completion Confirmation pursuant to Clause 4.3.1 shall be without prejudice to the other Party's rights and remedies in this Agreement against the first mentioned Party none of which rights shall be deemed to be thereby waived or varied by the second mentioned Party.

4.4 **Other acts & things**

The VENDOR shall also execute and do, all such other documents, acts and things (if any) as the PURCHASER may reasonably require of the VENDOR to perfect the right, title and interest of the PURCHASER in and to the Sale Shares.

4.5 **No Partial Completion**

Unless the VENDOR otherwise agrees in writing:-

- 4.5.1 the PURCHASER shall not be entitled to complete the purchase of some only of the Sale Shares and the failure by the PURCHASER to complete the purchase hereunder of any number of the Sale Shares shall accordingly be construed as a failure to complete in respect of all of the Sale Shares; and

4.5.2 the VENDOR shall be entitled, notwithstanding any provisions to the contrary herein, to terminate this Agreement if the PURCHASER fails to complete the purchase of all of the Sale Shares.

5. **PURCHASE PRICE**

5.1 **Payment of the Purchase Price**

5.1.1 The PURCHASER acknowledge that such part of the Purchase Price remaining unpaid by the PURCHASER to the VENDOR on the Completion Date shall constitute a valid debt payable by the PURCHASER to the VENDOR upon demand by the VENDOR. At the request of the PURCHASER, the VENDOR agrees to the application by the PURCHASER of all dividends and other cash distributions (if any) made by NSMH from time to time towards payment of the Indebtedness.

5.1.2 The PURCHASER agrees and undertakes with the VENDOR that the PURCHASER shall:-

- i) pay the Indebtedness to the VENDOR upon demand by the VENDOR; and
- ii) until the Indebtedness shall be paid in full by the PURCHASER to the VENDOR, direct and authorise NSMH to pay directly to the VENDOR, all such dividends and other cash distributions (if any) as are payable by NSMH to the PURCHASER.

5.2 **Interest**

5.2.1 The PURCHASER shall pay to the VENDOR, interest on such part of the Purchase Price remaining unpaid from time to time at the rate of **12%** (Twele Percent) per annum calculated from the due date for payment of the Purchase Price and until the date of full payment thereof.

5.2.2 The PURCHASER agrees that any payment made by or on behalf of the PURCHASER towards payment of the Indebtedness shall firstly be utilised towards settlement of the interest charged pursuant to Clause 5.2.1.

5.3. **Indebtedness as debt**

The PURCHASER acknowledges that such part of the Indebtedness as remains unpaid from time to time by the PURCHASER to the VENDOR shall constitute a valid debt payable by the PURCHASER to the VENDOR in accordance with the provisions hereof and all such other documents as may be agreed upon by the Parties with or without others.

5.4. **Security**

Until the full payment of Indebtedness to the VENDOR, the PURCHASER shall create in favour of and grant to the VENDOR and/or the VENDOR's nominee, such security interest (including a charge) and powers and rights over inter alia the Sale Shares and execute and perfect such security documentation (including a memorandum of charge in such terms and conditions acceptable to the VENDOR) as the VENDOR may require to secure the payment of the Indebtedness.

5.5 **Certificate**

A certificate duly signed by the VENDOR stating the amount of the Indebtedness payable by the PURCHASER to the VENDOR from time to time and at any time shall be final, conclusive and binding on the PURCHASER and shall not, in the absence of manifest error, be questioned on any account.

6. **PARTIES' RESPECTIVE WARRANTIES**

6.1 **VENDOR's WARRANTIES**

The VENDOR hereby represents and warrants to the PURCHASER that:-

- 6.1.1 the statements in Recital I, II, III(A) and V are true and accurate;
- 6.1.2 the VENDOR will, at Completion, be the beneficial owner of the Sale Shares; and
- 6.1.3 the Sale Shares are free from all charges, liens, equities, third party interest or other encumbrances whatsoever.

6.2. **PURCHASER's Warranties**

The PURCHASER hereby represents and warrants to the PURCHASER that:-

- 6.2.1 the PURCHASER is not a bankrupt and has not committed any act of bankruptcy;
- 6.2.2 the PURCHASER has not committed any criminal offence;
- 6.2.3 the PURCHASER and his legal, financial and other advisors (if any) have the financial and business experience to make an informed decision for an investment and acquisition of the Sale Shares and the PURCHASER together with such advisors has evaluated the feasibility of an acquisition of or investment in the Sale Shares;
- 6.2.4 the PURCHASER and his legal, financial and other advisors (if any) have had ample opportunity to investigate the proposed business of NSMH and NSM and to review all relevant documents and to ask all such questions of such persons and

representatives of the VENDOR as the PURCHASER and its advisors consider necessary for purposes of making an informed decision for an investment in and acquisition of the Sale Shares;

- 6.2.5 the PURCHASER has determined on the basis of his own investigation that the Purchase Price is fair and a reasonable valuation of the Sale Shares;
- 6.2.6 except for the representations and warranties contained in this Agreement, the PURCHASER is not relying on any representation or warranty (whether given by the VENDOR or otherwise) in making his decision to invest in and to acquire the Sale Shares; and
- 6.2.7 that the PURCHASER is purchasing the Sale Share for his own account, for investment purposes only, not for the account of any other person and not with a view to the distributions, assignment or resale thereof to others.

6.3 **Subsistence of warranteis**

The representations, warranties and agreements given or made by the respective Parties under this Agreement shall remain in full force and effect and shall continue to subsist hereafter notwithstanding Completion which will take place on the basis of the statements made herein.

6.4. **Breach of warranty before Completion**

If prior to Completion, any of the representations and warranties on the part of a Party have not been carried out or complied with or are in any material respects untrue or incorrect (and in respect of any breach which is capable of remedy, such Party have failed to remedy such breach within **14** (Fourteen) days after the other Party's written notice to the first mentioned Party requiring the same to be remedied) the second mentioned Party shall be entitled by notice in writing to the first mentioned Party to terminate this Agreement (without prejudice to the second mentioned Party's rights and remedies at law and hereunder in respect of the first Party's misrepresentation and/or breach of warranty).

7. **NOTICES**

7.1 **Written notices**

Any notice or request with reference to this Agreement shall be in writing signed by the Party by whom it is served or by its solicitors and shall be deemed to be sufficiently served or given for all purposes herein on the Party to whom it is served if it is left by hand at or sent by commercial courier, registered post or facsimile (with copy by hand or commercial courier or ordinary or registered post) to (as applicable) the address of the Party to whom it is sent as set out below or the registered office for the time being of such Party or such other address as one Party may from time to time notify to the other Party in writing.

7.1.1 **to the VENDOR**

NU SKIN ENTERPRISES, INC.
75 West Center Street
Provo, Utah 84601,
United States of America
Telefax: 00 1 801 345 3899
Attn:

7.1.2 **to the PURCHASER**

NU SKIN ENTERPRISES, INC.
KIOW KIM YOON, FRANKIE
5-C, Heng Fa Villa
100, Shing Tai Road
Hong Kong
Telefax: 00 852 2898 8271

7.2 **Time of service**

A notice sent:-

- 7.2.1 by facsimile (and confirmed by the delivery of a copy thereof by hand or commercial courier or ordinary or registered post) shall be deemed to have been served and received upon completion of the effective transmission of such notice and a written record of the transmission is printed out from the sender's facsimile machine;
- 7.2.2 by ordinary or registered post within Malaysia shall be deemed to have been served and received on the **3rd** (Third) day occurring after the date on which it is posted;
- 7.2.3 by an ordinary or registered post outside Malaysia shall be deemed to have been served and received on the **10th** (Tenth) day occurring after the date on which it is posted;
- 7.2.4 by hand or commercial courier shall be deemed to have been served at the time of delivery of the notice.

8. **COSTS**

8.1 **Solicitors costs**

Each Party shall bear its own solicitors' costs of and incidental to this Agreement.

8.2 **Stamp duty on purchase of Sale Shares**

As the intended purchaser hereunder of the Sale Shares, the PURCHASER shall bear the stamp duty chargeable on this Agreement and its acquisition of the Sale Shares (if any) and all other relevant documents incidental to this Agreement and, if relevant, any penalties for late stamping.

9. **TIME**

Time wherever mentioned shall be the essence of this Agreement

10. **AUTHORITY TO EXECUTE AGREEMENT**

Each of the Parties warrants to the other Party:-

- 10.1 that it has (as applicable) the power, authority and capacity to enter into and to execute and deliver this Agreement and to carry the terms hereof into effect; and
- 10.2 that its agreements and undertakings as contained in this Agreement constitute legal, valid and binding obligations on it in accordance with the provisions herein.

11. **GOVERNING LAW & JURISDICTION**

This Agreement is governed by the laws of Malaysia and subject to Clause 12, the Parties submit themselves and their assets to the non-exclusive jurisdiction of the courts in Malaysia.

12. **ARBITRATION**

12.1 **Reference to Arbitration**

Any dispute or difference which may arise between the Parties at any time hereafter whether during the continuance in force of this Agreement or upon or after its termination, touching any matter or thing herein contained or the operation or construction of this Agreement or any matter or thing in any way connected with, arising from or in relation to this Agreement or the rights, duties, liabilities of the Parties hereunder shall be finally settled by arbitration in accordance with the United Nations Commission on International Trade Law Arbitration Rules 1976.

12.2 **Arbitral Proceedings**

A reference to arbitration shall be to **3** (Three) arbitrators. The arbitration shall be held in Provo, Utah, United States of America and the language to be used in the arbitral proceedings shall be English.

12.3 **Interim remedies**

Pending the establishment of the arbitral tribunal, the Parties may apply to the courts in Malaysia (which shall be a non-exclusive jurisdiction) for the grant of interim injunctions and orders for the protection and preservation of property subject of or relating to this Agreement.

13. **NO WAIVER**

Knowledge or acquiescence by any Party of or in any breach of any of the terms, conditions or covenants herein contained shall not operate as or be deemed to be a waiver of such terms, conditions or covenants or any of them and notwithstanding such knowledge or acquiescence, such Party shall be entitled to exercise such Party's rights under this Agreement and to require strict performance by the other Parties of the terms, conditions and covenants herein.

14. **AMENDMENTS**

Any amendment or alteration to or modification of any part of this Agreement shall be conferred upon and determined in writing by mutual consultation between the Parties.

15. **SEVERABILITY**

Any term, condition, stipulation, provision, covenant or undertaking in this Agreement which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibitions or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition stipulation, provision, covenant or undertaking herein contained.

16. **ENTIRETY OF AGREEMENT**

This Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous proposals, negotiations and understandings whether written or oral between the Parties with respect to the subject matter hereof.

17. **NON-ASSIGNABILITY**

No Party shall be entitled to assign such Party's rights and/or obligations hereunder without the prior written consent of the other Party.

18. **SUCCESSORS-IN-TITLE**

This Agreement shall be binding on the successors-in-title and permitted assigns of the VENDOR and the heirs, personal representatives and permitted assigns of the PURCHASER.

19. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the Parties may execute this Agreement by signing any such counterpart.

IN WITNESS WHEREOF the Parties have hereunto executed this Agreement the day and year first above written.

SIGNED BY
D. MATTHEW DORNY
for and on behalf of
NU SKIN ENTERPRISES, INC.
the VENDOR aforesaid
in the presence of:-

.....
signature of witness

Name:
Passport No:

SIGNED BY
KIEW KIM YOON
the PURCHASER aforesaid
in the presence of:-

)
Kiow Kim Yoon

.....
signature of witness

Name:
Passport No:

This is the execution page of the Sale and Purchase Agreement dated the _____ day of _____ 2001 between NU SKIN ENTERPRISES, INC. and KIEW KIM YOON, FRANKIE in respect of the sale and purchase of shares in NU SKIN MALAYSIA HOLDINGS SDN. BHD.

"Annexure 1" to the Sale and Purchase Agreement dated the _____ day of _____ 2001 between NU SKIN ENTERPRISES, INC. and KIEW KIM YOON, FRANKIE

FORM OF COMPLETION CONFIRMATION

COMPLETION CONFIRMATION

issued pursuant to Clause 4.3 of the Sale and Purchase Agreement dated ("SPA") between:-

- i) NU SKIN ENTERPRISES, INC ("VENDOR"); and
- ii) KIEW KIM YOON, FRANKIE ("PURCHASER")

1. We, the parties to the SPA hereby **CONFIRM** that Completion (as defined in the SPA) has taken place in accordance with the provisions of the SPA on the date of this confirmation.

2. The PURCHASER's **CONFIRMS**:-

2.1 its receipt from the VENDOR of the original share certificate(s) to the Sale Shares issued in the name of the PURCHASER; and

2.2 that the PURCHASER has been appointed as a director of NSMH and NSM.

3. All expressions used in this Completion Confirmation and defined in the SPA shall have the meanings given to them by the SPA.

Dated this _____ day of _____ 2001

VENDOR:-

PURCHASER:-

D. MATTHEW DORNY
for and on behalf of
NU SKIN ENTERPRISES, INC.

KIOW KIM YOON, FRANKIE