

From: Sultan Bin Sulayem [REDACTED]
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To: Jeffrey Epstein <jeevacation@gmail.com>

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Embattled Nu Skin China to embark on massive corporate jaunt to UAE

Nu Skin will fly 14,500 of its top sellers to the UAE as a reward. Chinese authorities hit the company with a \$500,000 fine two weeks ago. Weng Lei / Imaginechina / AP Photo

Adam Bouyamourn Mar 31, 2014

Nu Skin China plans to fly 14,500 employees to Dubai for a corporate jaunt costing “hundreds of millions of dollars” – just two weeks after Chinese authorities hit the company with a fine of more than US\$500,000.

Embarking on the largest corporate holiday ever held in the UAE, Nu Skin’s beauty product sales stars will pack jumbo jets, hotels and restaurants as they tour the country from Abu Dhabi to Sharjah for 10 days.

In an email, Nu Skin told *The National* that “Nu Skin Success Trips recognise the hard work and achievements of our sales representatives, and we believe the United Arab Emirates represents a fitting destination for this event given the country’s commitment to becoming a world-class tourist destination.”

Nu Skin is a direct sales organisation that sells beauty and nutrition products via a large network of recruited sales personnel. Direct selling is highly restricted in China, as is “multi-level marketing”, in which individuals earn revenues from the sales of individuals they have recruited.

The company has faced vocal criticism from state authorities in China. It was described as a “brainwashing cult” and a “suspected illegal pyramid scheme” in a January article published in the state-owned newspaper *People’s Daily*. The state administration for industry and commerce announced the fine last week.

“Nu Skin China was penalised in the amount of US\$524,000 for the sale of certain products by individual direct sellers that, while permitted for sale in Nu Skin China’s retail stores, were not registered for the direct selling channel,” the company said of the fine. Six unnamed Nu Skin employees were also fined more than \$200,000.

“Voluntary measures we have taken in Mainland China in response to recent media scrutiny and subsequent government reviews of our operations and the activities of our sales force in Mainland China will have a negative impact on our business in that market,” Nu Skin wrote in its annual financial report, which was submitted to the US Securities and Exchange

Commission.

Private suits against Nu Skin have been lodged in courts in Utah, where the parent company is headquartered.

“We have been named as a defendant in five purported class action complaints [in US courts] relating to the recent negative media and regulatory scrutiny of our business in Mainland China,” Nu Skin said.

One of these suits claims that Nu Skin “purportedly operat[ed] a pyramid scheme based on illegal multi-level marketing activities” in China.

Nu Skin denies the allegations.

The UAE trip should come as a much-needed morale boost.

Describing the practice of flying thousands of its employees abroad on corporate holidays, Nu Skin said in a corporate filing: “In addition to rewarding performance, incentive trips provide ... a high level of motivation and team building among sales leaders.”

Seventy-seven flights and 39 hotels in Dubai and Abu Dhabi will be needed to accommodate the salespeople, who have booked out Ferrari World for three days, and will enjoy two 8,000-person dinners at Yas Marina Circuit. Nu Skin has also booked two full Emirates charter flights. The company’s employees will arrive on Sunday and depart on April 16.

The 10-day trip includes visits to Sharjah, Burj Khalifa, Sheikh Zayed Grand Mosque, Dubai Meydan City and the Sharjah Islamic Museum. The party will stay at hotels including the Yas Viceroy, the Shangri-La Dubai, the Westin Abu Dhabi and the Sheraton Mall of the Emirates, according to Arabian Adventures, which helped to organise the trip.

Yas Viceroy Abu Dhabi is booked out by guests from Nu Skin between April 9 and 13, and the Westin Abu Dhabi is full April 10-13.

Last year, Nu Skin recorded revenues of \$3.17 billion, of which \$1bn was generated in Mainland China. The Chinese market is also rapidly growing for the company – it recorded revenues of \$256.8 million in 2012, meaning that its revenues there increased by 292 per cent in 2013.

Nu Skin China is a wholly owned subsidiary of the US company Nu Skin Enterprises, which is listed on the New York Stock Exchange.

The parent company recorded profit of \$364.8m in 2013.

Clive Dwyer, director of Yas Island Destination Management, which is helping to organise the trip, said: “A global corporate zooming on one country [is a] major logistical challenge. The company knew about Abu Dhabi because of Ferrari World and the Abu Dhabi Grand Prix.”

He said the cost of the trip would total “hundreds of millions of dollars”.

“The strength of successful events is best marketing [for the UAE as a conference destination] you could possibly do,” he said. “Delegates go home and talk about it.”

A spokeswoman from Arabian Adventures said: “It has been a huge undertaking ... it is one of the largest events we have worked on.”

Steen Jakobsen, director of the Dubai Convention and Events Bureau, described the trip as “a wonderful opportunity for us not only to welcome the largest incentives group in [Dubai’s] history, but to showcase the emirate’s capabilities in hosting mega-groups to a global audience.”

Last year, Nu Skin had 61,546 “sales leaders” in Greater China. It described them as “distributors ... who are actively recruiting consumers and [new] distributors, and who constitute [Nu Skin’s] sales network.

“Our operations in Mainland China are subject to significant government and media scrutiny and investigations,” the company stated.

“At times, investigations and other regulatory actions have limited our ability to conduct business in certain locations in Mainland China, and have resulted in a few cases where we have paid fines.”

Noting the likelihood of further oversight from the Chinese authorities, Nu Skin stated: “We face a risk that future investigations and other regulatory actions may result in fines, revocation of licences or other more significant sanctions.”

The company admits that, because of its wide range of local recruitment practices, “mistakes may be made as to how those working in Mainland China should promote the business [locally].”

It also said: “We currently plan to continue to expand our store count in Mainland China.”

abouyamourn@thenational.ae

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