

Risk Factors Comparison 2024-02-28 to 2023-03-03 Form: 10-K

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We are exposed to a variety of risks that are present in our business and industry. The following are some of the more significant factors that could affect our business, results of operations and financial condition. Business, Product and Market Risks - ~~Including COVID-19 Risks~~ Because our Hong Kong operations account for a substantial portion of our overall business, and substantially all of our Hong Kong business is derived from the sale of products to members in China, any material adverse change in our business relating to either Hong Kong or China would likely have a material adverse impact on our overall business. In ~~each of 2023 and 2022 and 2021~~, approximately **79 % and 78 %** of our revenue was generated in Hong Kong, **respectively**. Substantially all of our Hong Kong revenues are derived from the sale of products that are delivered to members in China. This geographic concentration in our business means that events or conditions that could negatively impact this geographic region or our operations in this region, including the current economic challenges facing China and Hong Kong, are having and could in the future have a greater adverse impact upon our overall business and financial results than would be the case with a company having greater geographic diversification. Our Hong Kong operations are being adversely affected by recent political and social developments in Hong Kong, and the negative impact on our operations and financial performance could continue or intensify. Our headquarters and a significant number of our employees are based in Hong Kong, and our Hong Kong subsidiary generates a substantial portion of our overall business. Hong Kong has in recent years experienced significant political unrest and social strife, including a series of large-scale protests. These developments, along with the impact of the COVID-19 pandemic, led us in 2020 to cease conducting member meetings and events in Hong Kong. Inasmuch as member meetings and events located in Hong Kong have in the past served as an important component of our product marketing and distribution efforts, we believe that ~~this action has~~ **these developments have** negatively affected our operations and financial performance. ~~The cumulative effect~~ **Although we were able to sponsor a large in-person member event in Hong Kong in the fourth quarter of 2023, it is too early to predict whether** these developments ~~will~~ **has** adversely affected our Hong Kong operations and may continue to adversely affect our overall business, results of operations and financial condition. We experienced negative operating cash flows during the ~~year-years~~ **year-years** ended December 31, **2023 and 2022**, and only modest positive operating cash flows during the years ended December 31, 2021 and 2020. Unless our operating cash flows improve, this negative financial performance could have a material adverse effect on our business and our stock price. We experienced negative operating cash flows during the ~~year-years~~ **year-years** ended December 31, **2023 and 2022**, and only modest positive operating cash flows during the years ended December 31, 2021 and 2020. This cash flow performance was primarily due to declines in our revenues being greater than the decreases in expenditures that we could manage. If we again experience negative operating cash flows or our cash balance is substantially diminished, we may not be able to continue paying cash dividends to our stockholders, our ability to support our operations could be impaired and we may be required to seek debt or equity financing. However, we may not be able to obtain additional debt or equity financing on satisfactory terms, or at all, and any new financing could have a dilutive effect to our existing stockholders. Negative operating cash flows could have a material adverse effect on our business, results of operations and financial condition, as well as our stock price, and could eventually threaten our solvency. Negative operating cash flows and any related adverse market perception may also negatively affect our ability to attract new members and / or sell our products. There can be no assurance that we will be successful in maintaining an adequate level of cash resources. Adverse publicity associated with our products, ingredients or network marketing program, or those of similar companies, could harm our financial condition and operating results. Adverse publicity concerning any actual or claimed failure by us or our members to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of our network marketing program, the licensing and distribution of our products for sale in our target markets or other aspects of our business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on our goodwill and could negatively affect our ability to attract, motivate and retain members, which would negatively impact our ability to generate revenue. There have been several instances where adverse publicity in China has harmed our business. ~~For example, in January 2019 Central China Television (CCTV) aired a segment alleging, among other things, that we conduct an illegal pyramid scheme in China, and we believe that this media coverage had a short-term negative impact on our business.~~ See “Item 1A. Risk Factors- Our business in China is subject to compliance with a myriad of applicable laws and regulations ...”. In addition, our members’ and consumers’ perception of the safety and quality of our products and ingredients, as well as similar products and ingredients distributed by other companies, can be significantly influenced by media attention, publicized scientific research or findings, widespread product liability claims and other publicity concerning our products or ingredients or similar products and ingredients distributed by other companies. Adverse publicity, whether or not accurate or resulting from consumers’ use or misuse of our products, that associates consumption of our products or ingredients or any similar products or ingredients with illness or other adverse effects, questions the benefits of our or similar products or claims that any such products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could negatively impact our reputation or the market demand for our products. Our business and financial performance may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment. We operate globally, and as a result, our business and revenues are impacted by global economic and geopolitical conditions. The instability in global financial markets, inflation, shortages and delays related to global supply chain challenges, uncertainties related to the imposition and lifting of governmental restrictions to mitigate the spread of COVID-19, the current economic challenges in China, changes in government policies, geopolitical turmoil and other disruptions to global and regional economies

and markets continue to add uncertainty to global economic conditions. The continuing effect of any or all of these events could adversely impact demand for our products, harm our business, results of operations and financial condition. We are subject to risks relating to product concentration and lack of revenue diversification. Although we have in recent years expanded our line of products, we derive at least 10 % of our total revenue from each of our Premium Noni Juice **and Triotein™ products**, **as well as our line of probiotic products comprised of** Enhanced Essential Probiotics and **Biotic Trio Triotein™ products**. Further, we currently source each of these products from a single supplier. If demand decreases significantly, government regulation restricts their sale, we are unable to adequately source or deliver the products, or we are unable to offer the products for any reason without suitable replacements, our business, results of operations and financial condition could be materially and adversely affected. Our future success will also depend on our ability to reduce our dependence on these few products by developing and introducing new products and product or feature enhancements in a timely manner. Even if we are able to develop and commercially introduce new products and enhancements, they may not achieve market acceptance and the revenue generated from these new products and enhancements may not offset the costs, **which could substantially impair our business, results of operations and financial condition.** Epidemics, such as the COVID- 19 pandemic, or natural disasters, terrorist attacks or acts of war or hostility may seriously harm our business. Epidemics, natural disasters, terrorist attacks or acts of war or hostility may cause damage or disruption to us, our employees, our facilities and our members and customers, which could negatively impact our revenues, results of operations and financial condition. For example, in late 2019 or early 2020 an outbreak of COVID- 19 was first identified in China and subsequently spread around the world, being declared a global pandemic by the World Health Organization in March 2020. The outbreak caused the Chinese government to implement powerful measures to control the virus, such as requiring businesses to close throughout areas of China and restricting public gatherings and certain travel within the country. We have significant business in China and in ~~2022~~ **2023** generated approximately ~~78-79~~ % of our revenue in Hong Kong, substantially all of which was derived from the sale of products to members in China. The Chinese and Hong Kong governments, like the governments of other countries in which we operate, continue to adjust the restrictive measures that they impose to control COVID- 19 based on then- current local circumstances; however, it should be noted that the Chinese and Hong Kong governments ~~have to date~~ imposed some of the most restrictive COVID- 19 control measures of any country in the world. While the Chinese and Hong Kong governments took comprehensive steps to relax many of their COVID- 19 control measures in late 2022, **these disruptions materially negatively impacted our financial results from 2020 through 2022. This less restrictive business environment continued throughout 2023. We are hopeful that this improved state of affairs will enable us to continue more normal operations in China and Hong Kong, but it is still too early to accurately predict the impact on us of this relaxation of control measures and whether it will prove enduring. Ultimately**, the severity of the impact on us of the COVID- 19 pandemic will depend on future developments, including the duration and spread of the virus, and related control measures, which we are unable to accurately predict. ~~Regardless, these disruptions have materially negatively impacted our financial results from 2020 through 2022, and we expect that our financial results for the near- term may be adversely affected. These disruptions have also adversely affected the operations of our third- party logistics providers, and we expect that the future operations of these logistics providers and other third parties with whom we work may be adversely affected by these disruptions.~~ This and other epidemics, such as the avian influenza, or natural disasters have in the past and could in the future adversely affect our business, results of operations and financial condition. Terrorist attacks, the national and international responses to terrorist attacks, and acts of war or hostility could materially and adversely affect our business, results of operations, and financial condition in ways that we currently cannot predict. For example, the imposition of sanctions in response to Russia's invasion of Ukraine in 2022 required that we alter some of our operations in our Russia and Kazakhstan market, including ceasing to sell certain of our products in that market. While our Russia and Kazakhstan market comprises a relatively small part of our business, terrorist attacks or acts of war or hostility that directly implicate our business in Hong Kong and China, such as challenges to Chinese sovereignty claims in the South China Sea or Chinese objection to the Taiwan independence movement and the resultant tension in the Taiwan Strait, could have a much more material and adverse effect on **our business, results of operations and..... the costs, which could substantially impair** our business, results of operations and financial condition. The high level of competition in our industry could adversely affect our business. The business of marketing personal care, cosmetic, nutritional supplements, and lifestyle enhancement products is highly competitive. This market segment includes numerous manufacturers, members, marketers, and retailers that actively compete for the business of consumers both in the United States and abroad. The market is highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. Sales of similar products by competitors may materially and adversely affect our business, results of operations and financial condition. We are subject to significant competition for the recruitment of members from other direct selling organizations, including those that market similar products. Many of our competitors are substantially larger than we are, offer a wider array of products, have far greater financial resources and many more active members than we have. Even more numerous are those medium- and small- sized privately held Chinese, Taiwanese and Hong Kong companies, some of which are direct- selling subsidiaries of much larger conglomerates, that are fierce competitors and are much closer to directly competing with us. Our ability to remain competitive depends, in significant part, on our success in recruiting and retaining members with our products, attractive compensation plan and other incentives. We believe that we have an attractive product line and that our compensation and incentive programs provide our members with significant earning potential. However, we cannot be sure that our programs for recruitment and retention of members will be successful. Some of our competitors have employed or otherwise contracted for the services of our former officers, employees, consultants, and members, who may try to use information and contacts obtained while under contract with us for competitive advantage. While we seek to protect our information through contractual and other means, there can be no assurance that we will timely learn of such activity, have the resources to attempt to stop it, or have adequate remedies available to us. Failure of new products to gain member and market acceptance could harm our business. An important

component of our business is our ability to develop new products that create enthusiasm among our member force. If we fail to introduce new products on a timely basis, our member productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements, or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, limited capital and human resources, government regulations, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences. We rely on a limited number of independent third parties to manufacture and supply our products on a timely basis. All of our products are manufactured by a limited number of independent third parties. There is no assurance that our current manufacturers will continue to reliably supply products to us at the level of quality we require or to do so on a timely basis. Some of our third- party manufacturers experience difficulty sourcing product ingredients or components on a timely basis, which can result in delays in the timely delivery of products to us. If a key manufacturer suffers liquidity problems or experiences operational or other problems assisting with our products, our results could suffer. In the event any of our third- party manufacturers become unable or unwilling to timely provide the products in required volumes and quality levels at acceptable prices, we will be required to identify and obtain acceptable replacement manufacturing sources or replacement products. There is no assurance that we will be able to obtain alternative manufacturing sources or products or be able to do so on a timely basis. An extended interruption in the supply of certain of our products may result in a substantial loss of revenue. In addition, any actual or perceived degradation of product quality as a result of our reliance on third- party manufacturers may have an adverse effect on revenue or result in increased product returns. Growth may be impeded by the political and economic risks of entering and operating in foreign markets. Our ability to achieve future growth is dependent, in part, on our ability to continue our international expansion efforts. However, there can be no assurance that we would be able to grow in our existing international markets, enter new international markets on a timely basis, or that new markets would be profitable. We must overcome significant regulatory and legal barriers before we can begin marketing in any foreign market. Also, it is difficult to assess the extent to which our products and sales techniques would be accepted or successful in any given country. In addition to significant regulatory barriers, we may also encounter problems conducting operations in foreign markets with different cultures and legal systems from those elsewhere. There are substantial uncertainties in many such legal systems around the world, including in China, which could limit our ability to enforce third- party contractual arrangements and have other negative consequences. We may also be required to reformulate certain of our products before commencing sales in a given country. Once we have entered a market, we seek to adhere to the regulatory and legal requirements of that market. No assurance can be given that we would be able to successfully reformulate our products in any of our current or potential international markets to meet local regulatory requirements or attract local customers. The failure to do so could have a material adverse effect on our business, results of operations and financial condition. There can be no assurance that we would be able to obtain and retain necessary permits and approvals. In many markets, other direct selling companies already have significant market penetration, the effect of which could be to desensitize the local member population to a new opportunity or to make it more difficult for us to recruit qualified members. There can be no assurance that, even if we are able to commence operations in foreign countries, there would be a sufficiently large population of potential members inclined to participate in a direct selling system offered by us. We believe our future success could depend in part on our ability to seamlessly integrate our business methods, including member compensation plan, across all markets in which our products are sold. There can be no assurance that we would be able to further develop and maintain a seamless compensation program. Failure to maintain effective internal controls in accordance with the Sarbanes- Oxley Act of 2002 could negatively impact our business and the market price of our common stock. We are required by federal securities laws to document and test our internal control procedures in order to satisfy the requirements of the Sarbanes- Oxley Act of 2002 (“ Sarbanes- Oxley ”), which requires annual management assessments of the effectiveness of internal control over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. The SEC’ s Sarbanes- Oxley rules require us to include a report by management on the effectiveness of our internal control over financial reporting in our Annual Reports on Form 10- K. Although we review internal control over financial reporting in order to ensure compliance with the SEC’ s Sarbanes- Oxley rules, if we fail to maintain effective internal control over financial reporting, we could be required to take costly and time- consuming corrective measures to remedy any number of deficiencies, significant deficiencies or material weaknesses, be required to restate the affected historical financial statements, be subjected to investigations and / or sanctions by federal and state securities regulators, and be subjected to civil lawsuits by stockholders. For instance, as described in “ Item 9A.- Controls and Procedures ” in our Annual Report on Form 10- K filed with the SEC for the year ended December 31, 2018, we identified a material weakness in our internal control over financial reporting as of December 31, 2018. Management, with oversight from the Audit Committee, implemented a plan to remediate this material weakness and completed remediation during 2019. While the existence of this material weakness did not result in a restatement of previously issued interim or annual consolidated financial statements, we incurred substantial costs and utilized meaningful resources to remediate the material weakness during 2019. Any future failure to maintain effective internal control over financial reporting could result in the foregoing identified consequences and could cause investors to lose confidence in our reported financial information and in our company and could cause a decline in the market price of our common stock. Management and Member Network Risks We could be adversely affected by management changes or an inability to attract and retain key management, directors and consultants. We incur a low level of overhead and are run by a small number of executives, who rely on a small group of employees. Our future success depends to a significant degree on the skills, experience and efforts of our top management and directors. We also depend on the ability of our executive officers and other members of senior management to work effectively as a team. The loss of one or more of our executive officers, members of our senior management or directors could have a material adverse effect on our business, results of operations and financial condition. Moreover, as our business evolves, we may require additional or different management members, directors or consultants, and there can be no assurance

that we will be able to locate, attract and retain them if and when they are needed. Our recent loss of a significant number of members is adversely affecting our business, and if we cannot stabilize or increase the number of members our business could be further negatively impacted. We distribute our products through independent members, and we depend upon them directly for all of our sales in most of our markets. Accordingly, our success depends in significant part upon our ability to attract, retain and motivate a large base of members, as well as a relatively small number of key members. Our members may terminate their services with us at any time and, like most direct selling organizations, we have a high rate of attrition. We had 16 % fewer active members at December 31, ~~2022~~ **2023** as compared to the end of ~~2021~~ **2022**, and ~~+2~~ **16** % fewer active members at the end of ~~2021~~ **2022** as compared to the end of ~~2020~~ **2021**. These losses in the number of active members were a significant factor contributing to the decrease in our recent year- over- year sales. If we cannot stabilize or increase the number of our members, or if we lose one or more key member leaders, sales of our products could be further materially and adversely affected. The replacement of members could be difficult because, in our efforts to attract and retain members, we compete with other direct selling organizations, including but not limited to those in the personal care, cosmetic product and nutritional supplement industries. Our number of active members or their productivity could further decline in the future. We cannot accurately predict fluctuations in the number or the productivity of members because we primarily rely upon existing members to train new members and to motivate new and existing members. Operating results could be adversely affected if our existing and new business opportunities and products do not generate sufficient economic incentive or interest to retain existing members and to attract new members. The number and productivity of our members could be harmed by several factors, including: • adverse publicity or negative perceptions regarding us, our products, our method of distribution or our competitors; • lack of interest in, or the technical failure of, existing or new products; • lack of interest in our existing compensation plan for members or in enhancements or other changes to that compensation plan; • our actions to enforce our policies and procedures; • regulatory actions or charges or private actions against us or others in our industry, such as the 100- day campaign initiated in China in January 2019 (as well as its extension and aftermath, including the related look- back review); • general economic, business and political conditions, including the recent political unrest in Hong Kong and the imposition of restrictive measures that curtail person- to- person interactions, as recently experienced resulting from the COVID- 19 pandemic; • increased use of social sharing channels, which may allow members to more easily engage with their customers and other members in other opportunities; • changes in management or the loss of one or more key member leaders; • entry of new competitors, or new products or compensation plan enhancements by existing competitors, in our markets; and • potential saturation or maturity levels in a given country or market which could negatively impact our ability to attract and retain members in such market. Although virtually all of our members are independent contractors, improper member actions that violate laws or regulations could harm our business. Virtually all of our members are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if these members were our own employees. As a result, there can be no assurance that our members will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our member policies and procedures. Extensive federal, state, local and foreign laws regulate our business, our products and our network marketing program. Because we operate in a number of foreign countries, our policies and procedures for our members differ due to the different legal requirements of each country in which we do business. While we have implemented member policies and procedures designed to govern member conduct and to protect the goodwill associated with our trademarks and trade names, it can be difficult to enforce these policies and procedures because of the large number of members and their independent status. Given the size and diversity of our member force, we experience problems with members from time to time, especially with respect to our members in foreign markets. For example, if our members engage in illegal activities in China, those actions could be attributed to us. Chinese laws regarding how and when members may assemble and the activities that they may conduct, or the conditions under which the activities may be conducted, are subject to significant regulatory discretion resulting in interpretations and enforcement that sometimes vary from province to province, among different levels of government, and from time to time. Members can be accused of violating one or more of the laws regulating these activities, notwithstanding training that we attempt to provide. Enforcement measures regarding these violations, which can include arrests, raise the uncertainty and perceived risk associated with conducting this business, especially among those who are aware of the enforcement actions but not the specific activities leading to the enforcement action. We believe that this has led some existing members in China (who are signed up as members in Hong Kong) to leave the business or curtail their selling activities and has led some potential members to choose not to participate. Among other things, we are managing this risk with more training and public relations efforts that are designed, among other things, to distinguish our company from businesses that make no attempt to comply with the law. This environment creates uncertainty about the future of doing this type of business in China generally and under our current business model, specifically. In addition, members often desire to enter a market before we have received approval to do business in order to gain an advantage in the marketplace. Improper member activity in new geographic markets could result in adverse publicity and can be particularly harmful to our ability to ultimately enter these markets. Violations by our members of applicable law or of our policies and procedures in dealing with customers could reflect negatively on our products and operations, and harm our business reputation. In addition, it is possible that a judicial or administrative body could hold us civilly or criminally accountable based on vicarious liability because of the actions of our members. If any of the above or related events involving our members occur, our business, results of operations or financial condition could be materially adversely affected. An increase in the amount of compensation paid to members would reduce profitability. We incur significant expense in the payment of compensation to our members, which represented approximately 42 % ~~and 43 %~~ of net sales during ~~each of 2023 and 2022~~ **each of 2023 and 2022** ~~and 2021, respectively~~. We compensate our members by paying commissions, bonuses, and certain awards and prizes. Factors impacting the overall commission payout include the growth and depth of the member network, the member retention rate, the type and scope of promotions and incentives, local promotional programs and business development agreements. Long- term promotions and incentives (lasting up

to one year) can, in particular, result in uncertain ultimate cost. Any increase in compensation payments to members as a percentage of net sales will reduce our profitability. Our compensation plan includes a cap that may be enforced on member compensation paid out on a weekly dollar limit or as a percentage of product sales. There can be no assurance that enforcement of this cap will ensure profitability (which depends on many other factors). Moreover, enforcement of this cap could cause key members affected by the cap to leave and join other companies. We may be held responsible for certain taxes or assessments relating to the activities of our members and service providers, which could harm our financial condition and operating results. Our members and service providers are subject to taxation, and in some instances, legislation or governmental agencies impose an obligation on us to collect the taxes, such as value added taxes, and to maintain appropriate records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security and similar taxes with respect to our members.

Legal, Regulatory, Tax, Currency and Trade Policy Risks Our business in China is subject to compliance with a myriad of applicable laws and regulations, and any actual or alleged violations of those laws or government actions otherwise directed at us could have a material adverse impact on our business and the value of our company. In contrast to our operations in other parts of the world, our China subsidiary has not implemented a direct sales model in China. The Chinese government permits direct selling only by organizations that have a license and has also adopted anti- pyramid selling and multi- level marketing legislation. We operate an e- commerce direct selling platform in Hong Kong and recognize the revenue derived from sales to both Hong Kong and Chinese members as being generated in Hong Kong. Products purchased by members in China are delivered to third parties that act as the importers of record under agreements to pay applicable duties. In addition, through a Chinese entity, we sell products in China using an e- commerce retail platform. Chinese members may elect to participate in either or both of the Chinese entity and the Hong Kong entity. We previously submitted a preliminary application for a direct selling license in China, but in 2019 a Chinese governmental authority recommended that we withdraw our application. We expect to reapply for a direct selling license in China when we believe that circumstances are again ripe for doing so. We are unable to predict whether and when we will be successful in obtaining a direct selling license to operate in China, and if we are successful, when we will be permitted to conduct direct selling operations and whether such operations would be profitable. We continually evaluate our business in China and Hong Kong for compliance with applicable laws and regulations, including seeking the input of outside professionals and certain Chinese authorities. This process can and has resulted in the identification of certain matters of potential noncompliance. We work on a continuing basis to satisfactorily address such matters, however there can be no assurance that adequate steps are taken or that applicable laws and regulations are properly interpreted. Should the government authorities determine that our activities violate applicable laws and regulations, including China’ s direct selling, pyramid selling or multi- level marketing laws and regulations, or should new laws or regulations be adopted, there could be a material adverse effect on our business, results of operations and financial condition. The Chinese government scrutinizes the activities of direct selling companies. Our business continues to be subject to regulations and examinations by municipal and provincial level regulators. At times, actions by government regulators have impacted our members’ activities in certain locations and have resulted in a few cases of enforcement actions. In each of these cases, we helped our members with their defense of the legality of their conduct. Our business and the value of our company can be adversely affected by Chinese government scrutiny, even if that scrutiny does not result in investigations of our business. Although we remain in regular contact with Chinese government officials and take other steps to address regulatory concerns, these government officials have significant discretion in the application and enforcement of laws and regulations. As a result, our business and the value of our company remain vulnerable to Chinese government scrutiny, whether or not initiated by third parties, which scrutiny could result in changes to our business and / or the Chinese or Hong Kong government taking action against us. Various other factors could harm our business in Hong Kong and China, such as worsening economic conditions in Hong Kong or China, adverse developments relating to the industry in which we conduct our business, adverse local publicity, negative changes to our business and / or social media coverage, geopolitical or trade tensions between the United States and China or other events that may be out of our control. For example, in January 2019 the Chinese government announced a 100- day campaign focusing on companies involved in the sale of food, equipment, daily necessities, small home electrical appliances and services that are claimed to promote health. The Chinese government ministries in charge of this campaign indicated that they **are were** targeting illegal practices in the industry, particularly the manufacture and sale of counterfeit and substandard products, and false advertising and misleading claims as to the health benefits of products and services. **During the campaign, we understand that the government is not issuing any additional direct selling licenses, is not issuing certifications of quality or other approvals of various healthcare products, and is reviewing its regulatory oversight of the industry.** It is **further** understood that the campaign **is was** specifically focused on the business practices of direct selling companies. In January 2019 we, like some of our peers, voluntarily decided to temporarily suspend our member activities, such as product roadshows, product trainings and larger company- sponsored events, in China. We did this because we learned that the 100- day campaign was announced in broad outlines by the central government, and the interpretation and enforcement of the campaign was delegated to the provincial and local governments. We consider it a top priority for our business to develop an understanding of and cooperate with all levels and jurisdictions of the government agencies and did not want to run the risk of being inadvertently entangled in the government enforcement actions as the provincial and local government formulate and implement their interpretive guidance and rule- making. Although we have been able to relax some restrictions on member activities in certain markets, it may again in the future be necessary or advisable to suspend member activities or take similar actions, and the resulting periods of reduced activity may have a material adverse effect on our business. Although the 100- day campaign was due to expire **in on or about** April **18,** 2019, we are not aware of any information indicating that the campaign has formally concluded. However, **on August 27, 2019,** the Chinese government **subsequently** announced that it would conduct a “ look- back review ” to evaluate the 100- day campaign. As part of this review, we understand that various Chinese governmental agencies formed a working group to assess the 100- day campaign, particularly focusing on the health market and its supervision in certain provinces. We understand

that during September 2019 the working group evaluated the performance and results of a number of organizations and governmental departments in these provinces and made recommendations for various improvements. It was noted that each province had opened a number of investigative cases, had successfully closed numerous cases, and had imposed various fines and penalties. We understand that the look- back review continued after September 2019, and we are not aware that this review has been completed. As a result, the business environment in China for health product companies continues to be challenging, which has sometimes been exacerbated by negative social media sentiment expressed for these types of companies. We believe that the campaign, as well as its extension and aftermath (including the look- back review), will continue to negatively impact our business in China in the near- term, but will ultimately benefit us and Chinese consumers as purveyors of substandard products are driven from the market. Although we attempt to work closely with both national and local Chinese governmental agencies in conducting our business, our efforts to comply with national and local laws may be harmed by a rapidly evolving regulatory climate, concerns about activities resembling violations of direct selling, pyramid selling or multi- level marketing legislation, subjective interpretations of laws and regulations, and activities by individual members that may violate laws notwithstanding our policies prohibiting such activities. Any determination that our operations or activities, or the activities of our individual members, employee sales representatives, or importers of record are not in compliance with applicable laws and regulations could result in the imposition of substantial fines, extended interruptions of business, restrictions on our future ability to obtain business licenses or expand into new locations, changes to our business model, the termination of required licenses to conduct business, or other actions, any of which could materially harm our business, results of operations and financial condition. Changes in government trade and economic policies, including the imposition or threatened imposition of tariffs and other restrictive trade policies, and ongoing political and economic disputes between the United States and other jurisdictions, particularly China, may have a negative effect on global economic conditions and our business, financial results and financial condition. The United States has in recent years enacted tariffs on certain items. Further, there are ongoing discussions and activities regarding changes to other U. S. trade policies and treaties. In response, a number of our markets, particularly China, have implemented tariffs on U. S. imports or otherwise imposed non- tariff barriers such as slow- walking custom clearance of American- made products in response to these U. S. actions. These developments, together with the threat of new tariffs and other restrictive trade policies, may have a material adverse effect on global economic conditions and the stability of global financial markets, and they may significantly reduce global trade and, in particular, adversely affect trade and economic relations between China and the United States. Tensions between the United States and China have increased over the past few years as a result of disputes in areas including trade policy, intellectual property, cybersecurity and data privacy. Tensions have become particularly acute following the China legislature' s passage of a national security law in June 2020 that changed the way Hong Kong has been governed since the territory was handed over by the United Kingdom to China in 1997. This law criminalizes secessionist activities, subversion, terrorism, and collusion with a foreign country or with external elements to endanger national security in Hong Kong. The U. S. State Department has announced that the United States no longer considers Hong Kong to have significant autonomy from China, and the U. S. administration is taking action to end many of the U. S. government' s special trade and economic relations with Hong Kong. Further, on July 14, 2020 the United States enacted the Hong Kong Autonomy Act (and the U. S. President issued a related executive order), authorizing the U. S. administration to impose sanctions against individuals and entities determined to materially contribute to the erosion of Hong Kong' s autonomy, as well as to punish financial institutions that facilitate certain significant transactions. The United States has since imposed sanctions on a number of individuals, and China has responded in kind. These and other recent actions may represent an escalation in political and economic tensions involving the United States, China and Hong Kong, which could harm our business. A continued deterioration in these political or economic relations or other future unforeseen problems could disrupt our China and Hong Kong business (including our Hong Kong office and employees), adversely affect the distribution of our products, reduce our net sales, increase the cost of conducting our operations, or result in retaliatory actions against U. S. interests, any of which could have a material adverse effect on our business, results of operations and financial condition. In addition, any actions by non- U. S. markets to implement further trade or economic policy changes, including limiting foreign investment or trade, imposing currency controls restricting the international transfer of funds, increasing regulatory scrutiny or taking other actions which impact U. S. companies' ability to obtain necessary licenses or approvals could negatively impact our business. Trade and economic policy changes are subject to a number of uncertainties and are only one part of the larger dynamic of political and economic relations amongst countries. The ultimate reaction of other countries, and the individuals in each of these countries, and the impact of actions on the United States, China, Hong Kong, the global economy and our business, financial condition and results of operations, cannot be predicted at this time. Direct- selling laws and regulations may prohibit or severely restrict our direct sales efforts and cause our revenue and profitability to decline, and regulators could adopt new regulations that harm our business. Our direct selling system is subject to extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as “ pyramid ” schemes, which compensate participants for recruiting additional participants irrespective of product sales, use high pressure recruiting methods and / or do not involve legitimate products. They also seek to ensure that claims regarding the ability of participants to earn money are truthful and substantiated. Complying with these widely varying and sometimes inconsistent rules and regulations can be difficult and may require the devotion of significant resources on our part. There can be no assurance that we or our members are in compliance with all of these regulations. Our failure or our members' failure to comply with these regulations or new regulations could lead to the imposition of significant penalties or claims and could negatively impact our business. If we are unable to continue business in existing markets or commence operations in new markets because of these laws, our revenue and profitability may decline. We are also subject to the risk that new laws or regulations might be implemented or that current laws or regulations might change, which could require us to change or modify the way we conduct our business in certain markets or the loss of necessary licenses.

This could be particularly detrimental to us if we have to change or modify the way we conduct business, or cannot conduct any business, in markets that represent a significant percentage of our revenue. Our business is subject to a variety of laws, regulations and other obligations regarding privacy, data protection and information security. Any actual or perceived failure by us or our third- party vendors to comply with such laws, regulations or other obligations could materially adversely affect our business. We collect certain personal information, including payment data, from members and consumers, as well as our employees. We also develop and maintain sensitive and proprietary business information. We are therefore subject to numerous laws, regulations and other obligations that address privacy, data protection and information security in the various markets in which we conduct business. We are particularly focused on the evolving state of laws and regulations in China and Hong Kong applicable to privacy, data protection and information security. Of particular note is **China's Cyber Security Law, which requires companies to take certain measures to ensure that the security of their networks and data stored on their networks. Specifically, the Cyber Security Law provides that companies adopt a multi- level protection scheme under which network operators are required to perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. In addition,** on June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the Data Security Law, which took effect in September 2021. The Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. **Similarly Finally, the Standing Committee of the National People's Congress of the China also promulgated the Personal Information Protection Law ("PIPL"), which took effect on November 1, 2021. The PIPL expands data protection compliance obligations to cover the processing of personal information of persons by organizations and individuals in China, and the processing of personal information of persons in China, outside of China if such processing is for purposes of providing products and services to, or analyzing and evaluating the behavior of, persons in China. The PIPL also provides that critical information infrastructure operators and personal information processing entities that process personal information meeting a volume threshold are also required to store in China personal information generated or collected in China, and to pass a security assessment for any export of such personal information.** Hong Kong also has its data privacy legislation that regulates the collection, use and handling of personal data. Under the relevant Hong Kong legislation, data users are required to comply with various data protection principles in relation to the requirement of lawful and fair collection of personal data, consent of data subjects, retention of personal data, use and disclosure of personal data, security of personal data, personal data policies and practices, and rights to access and correction of personal data. The interpretation, application and enforcement of privacy, data security and information security laws, regulations and other obligations evolve from time to time and their scope may continually change, through new legislation, amendments to existing legislation and changes in interpretation and enforcement. We have incurred, and will continue to incur, significant expenses in an effort to comply with such laws, regulations and other obligations, as well as related security standards and protocols. Despite our compliance efforts, we may not meet all of the requirements imposed on us. Any failure on our part or on the part of our third- party vendors to comply with applicable laws, regulations or other obligations relating to privacy, data protection or information security could damage our reputation, result in investigations, fines or other penalties imposed by governmental authorities and private claims or litigation, any of which could materially adversely affect our business, results of operations and financial condition. Even if our practices or those of our third- party vendors are not subject to legal challenge, the perception of data or privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, results of operations and financial condition. Challenges by third parties to the legality of our business operations could harm our business. We are also subject to the risk of private party challenges to the legality of our operations, including our direct selling system. The regulatory requirements concerning direct selling systems generally do not include "bright line" rules and are inherently fact- based and subject to judicial or administrative interpretation. An adverse judicial or administrative determination against us with respect to our direct selling system, or in proceedings not involving us directly but which challenge the legality of other direct selling marketing systems, could have a material adverse effect on our business. There is also risk that challenges and settlements involving other parties could provide incentives for similar actions by members against us and other direct selling companies. Moreover, challenges to our business system and operations in important markets may come from short sellers, hedge funds, other investors, bloggers and reporters. Other companies in our industry have also faced such challenges. Any challenges regarding us or others in our industry could harm our business if such challenges result in the imposition of any fines or damages on our business, create adverse publicity, increase scrutiny or investigations of us or our industry, detrimentally affect our efforts to recruit or motivate members and attract customers, or interpret laws in a manner inconsistent with our current business practices. We have in the past been involved in, and may in the future face, lawsuits, claims, and governmental proceedings and inquiries that could harm our business. We have in the past been, and may in the future be, a party to lawsuits, claims and governmental proceedings and inquiries. Prosecuting and defending these matters may require significant expense and attention of our management and can expose us to adverse publicity, regardless of the outcome. Further, in the event of an adverse outcome, we could be required to pay substantial damages, fines or penalties and cease or be prevented from conducting certain practices or activities. Such matters can be complex, can extend for a protracted period of time, and can result in unpredictable expense. There can be no assurance that we will be able to successfully defend or resolve any such litigation, claims or governmental proceedings or inquiries, or that the significant money, time and effort spent in defending these matters, or any related adverse publicity, will not adversely affect our business, results of operations and financial condition. Currency

exchange rate fluctuations could lower our revenue and net income. In ~~2022~~ **2023**, 96 % of our revenue was recorded by subsidiaries located outside of North America. Revenue transactions and related commission payments, as well as other incurred expenses, are typically denominated in the local currency. Accordingly, our international subsidiaries generally use the local currency as their functional currency. The results of operations of our international subsidiaries are exposed to foreign currency exchange rate fluctuations during consolidation since we translate into U. S. dollars using the average exchange rates for the period. As exchange rates vary, revenue and other operating results may differ materially from our expectations. Additionally, we may record significant gains or losses related to foreign- denominated cash and cash equivalents and the re- measurement of inter- company balances. Our most significant foreign exchange exposure, the Hong Kong dollar, is for now pegged to the U. S. dollar. We also purchase a significant majority of inventories in U. S. dollars. Our foreign currency exchange rate exposure to the South Korean won, Taiwan dollar, Japanese yen, Chinese yuan, Russian rouble, Kazakhstani tenge, Singaporean dollar, Malaysian ringgit, ~~Vietnamese dong~~, Thai baht, Indian rupee, Canadian dollar, Mexican peso, Peruvian sol and European euro collectively represented approximately **18 % and 19 %** ~~and 20 %~~ of our revenue in **2023 and 2022** ~~and 2021~~, respectively. Our foreign currency exchange rate exposure may increase in the near future as we develop opportunities in Southeast Asia, India, Canada, Central America, South America and Europe. Additionally, our foreign currency exchange rate exposure would significantly increase if the Hong Kong dollar were no longer pegged to the U. S. dollar. Finally, we also experience indirect exchange rate exposure due to the concentration of our sales to members residing in China and the impact of fluctuations in the value of the Chinese yuan on our members' purchasing power. Given our inability to predict the degree of exchange rate fluctuations, we cannot estimate the effect these fluctuations may have upon future reported results, product pricing or our overall financial condition. Further, to date we have not attempted to reduce our exposure to short- term exchange rate fluctuations by using foreign currency exchange contracts. Changes in tax or duty laws, and unanticipated tax or duty liabilities, could adversely affect our net income. In the course of doing business we may be subject to various taxes, such as sales and use, value- added, and franchise. We are also subject to income taxes in the United States and numerous foreign jurisdictions. We earn a substantial portion of our income in foreign jurisdictions. Economic and political conditions make tax rules in any jurisdiction, including the United States, subject to significant change. There have been recent changes in U. S. tax law that impact how U. S. multinational corporations are taxed on foreign earnings. There have also been proposals to reform foreign tax laws that could significantly affect the Company' s tax position. Although we cannot predict whether or in what form these proposals will pass, several of the proposals considered, if enacted into law, could have an adverse impact on our income tax expense and cash flows. Our parent corporation is domiciled in the United States. Under tax treaties, we are eligible to receive foreign tax credits in the United States for taxes paid abroad. Taxes paid to foreign taxing authorities may exceed the credits available to us, resulting in the payment of a higher overall effective tax rate on our worldwide operations. Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, and the outcome of income tax audits in various jurisdictions around the world. We have in the past, and may in the future be subject to examinations of our tax returns and other tax matters by the U. S. Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes, which is subject to significant discretion. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, particularly in the United States, or if the ultimate determination of taxes owed is for an amount in excess of amounts previously accrued, our financial results or operations could be adversely affected. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products. The failure to properly calculate, report and pay such duties when we are subject to them could have a material adverse effect on our results of operations and financial condition. Any change in the laws or regulations regarding such duties, or any interpretation thereof, could result in an increase in the cost of doing business. Transfer pricing regulations affect our business and results of operations. In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned by our United States or local entities and are taxed accordingly. We have adopted transfer pricing agreements with most of our subsidiaries to regulate inter- company transfers, which agreements are subject to transfer pricing laws that regulate the flow of funds between the subsidiaries and the parent corporation for product purchases, management services, and contractual obligations, such as the payment of member compensation. There can be no assurance that we will be found to be operating in compliance with transfer pricing laws, or that those laws would not be modified, which, as a result, may require changes in our operating procedures or otherwise may have a material adverse effect on our financial results or operations. Our products and related activities are subject to extensive government regulation, which could delay, limit or prevent the sale of some of our products in some markets. The formulation, manufacturing, packaging, labeling, importation, advertising, distribution, sale and storage of certain of our products are subject to extensive regulation by various federal agencies, including the FDA, the FTC, the Consumer Product Safety Commission and the U. S. Department of Agriculture and by various agencies of the states, localities and foreign countries in which our products are manufactured, distributed and sold. For example, the FDA requires us and our suppliers to meet relevant current good manufacturing practice (cGMP) regulations for the preparation, packing and storage of foods and over- the- counter (OTC) drugs. We are also now required to report serious adverse events associated with consumer use of certain of our products. Other laws and regulations govern or restrict the claims that may be made about our products and the information that must be included and excluded on labels. In markets outside the United States, prior to commencing operations or marketing new products, we may be required to obtain approvals, licenses, or certifications from a ministry of health or a comparable agency. Moreover, a foreign jurisdiction may pass laws that would prohibit the use of certain ingredients in their particular market. Compliance with these regulations can create delays and added expense in introducing new products to certain markets. Failure by our members or us to comply with those regulations could lead to the imposition of

significant penalties or claims and could materially and adversely affect our business. If we are not able to satisfy the various regulations, then we would have to cease sales of that product in that market. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and may adversely affect the marketing of our products, resulting in significant loss of revenues. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative orders, when and if promulgated, could have on our business. These potential effects could include, however, requirements for the reformulation of certain products to meet new standards, the recall or discontinuance of certain products, additional recordkeeping and reporting requirements, expanded documentation of the properties of certain products, expanded or different labeling, or additional scientific substantiation. Any or all of these requirements could have a material adverse effect on our business, results of operations or financial condition. New regulations governing the marketing and sale of nutritional supplements could harm our business. There has been an increasing movement in the United States and other markets to increase the regulation of dietary supplements, which could impose additional restrictions or requirements in the future. In the United States, for example, some legislators and industry critics continue to push for increased regulatory authority by the FDA over nutritional supplements. Our business could be harmed if more restrictive legislation is successfully introduced and adopted in the future. In particular, the adoption of legislation requiring FDA approval of supplements or ingredients could delay or inhibit our ability to introduce new supplements. We face similar pressures in our other markets, particularly in China where certain government ministries announced in January 2019 a comprehensive 100- day campaign focusing on companies involved in the sale of certain products, including nutritional supplements and health products. This campaign, which may not have formally concluded, and may still be the subject of a “ look- back review ” being conducted by various Chinese governmental agencies, could result in new legislation or regulation. In the United States, the FTC’s Guides Concerning the Use of Endorsements and Testimonials in Advertising (the “ Guides ”) require disclosure of material connections between an endorser and the company they are endorsing and require the disclosure of typical results when these are different from those reported by the endorser. The requirements and restrictions of the Guides may diminish the impact of our marketing efforts and negatively impact our sales results. If we or our members fail to comply with these Guides, the FTC could bring an enforcement action against us and we could be fined and / or forced to alter our operations. Our operations also could be harmed if new laws or regulations are enacted that restrict our ability to market or distribute nutritional supplements or impose additional burdens or requirements on nutritional supplement companies or require us to reformulate our products. Regulations governing the production and marketing of our personal care products could harm our business. Our personal care products are subject to various domestic and foreign laws and regulations that regulate cosmetic products and set forth regulations for determining whether a product can be marketed as a “ cosmetic ” or requires further approval as an over- the- counter drug. A determination that our cosmetic products impact the structure or function of the human body, or improper marketing claims by our members, may lead to a determination that such products require pre- market approval as a drug. Such regulations in any given market can limit our ability to import products and can delay product launches as we go through the registration and approval process for those products. Furthermore, if we fail to comply with these regulations, we could face enforcement action against us and we could be fined, forced to alter or stop selling our products and / or required to adjust our operations. Our operations also could be harmed if new laws or regulations are enacted that restrict our ability to market or distribute our personal care products or impose additional burdens or requirements on the contents of our personal care products or require us to reformulate our products. If we are found not to be in compliance with good manufacturing practices our operations could be harmed. Regulations on good manufacturing practices and adverse event reporting requirements for the nutritional supplement industry are in effect and require good manufacturing processes for us and our vendors, including stringent vendor qualifications, ingredient identification, manufacturing controls and record keeping. We are also required to report serious adverse events associated with consumer use of our products. Our operations could be harmed if regulatory authorities make determinations that we or our vendors are not in compliance with the regulations. A finding of noncompliance may result in administrative warnings, penalties or actions impacting our ability to continue selling certain of our products. In addition, compliance with these regulations has increased and may further increase the cost of manufacturing certain of our products as we work with our vendors to assure they are qualified and in compliance. Failure to comply with domestic and foreign laws and regulations governing product claims and advertising could harm our business. Our failure to comply with FTC or state regulations, or with regulations in foreign markets that cover our product claims and advertising, including direct claims and advertising by us, as well as claims and advertising by members for which we may be held responsible, may result in enforcement actions and imposition of penalties or otherwise materially and adversely affect the distribution and sale of our products. Our claims about the level of financial success that can be expected by our members are also subject to FTC review and enforcement. Member activities in our existing markets that violate applicable governmental laws or regulations could result in governmental or private actions against us in markets where we operate. Given the size of our member force, we cannot ensure that our members will comply with applicable legal requirements. We are subject to anti- bribery laws, including the U. S. Foreign Corrupt Practices Act. We are subject to anti- bribery laws, including the U. S. Foreign Corrupt Practices Act (“ FCPA ”), which generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business as well as requiring companies and their intermediaries to maintain accurate books and records. In recent years there has been a substantial increase in anti- bribery law enforcement activity by the U. S. Department of Justice (the “ DOJ”) and the SEC relating to certain countries in which we have business, including China. For example, in 2017, a U. S. based direct selling company announced that it was the target of an investigation being conducted by the SEC to determine whether certain activities related to the direct selling company’s operations in China violated the FCPA. Also, in 2017, another U. S. based direct selling company announced that it had initiated a voluntary probe of its operations in China to determine if violations of the FCPA had occurred. Our policies mandate compliance with anti- bribery laws by our employees and agents,

including the requirements to maintain accurate information and internal controls. However, we may be liable for actions of our employees and agents, even if such actions are inconsistent with our policies. Being subject to an investigation by the DOJ or the SEC for an alleged violation of the FCPA could cause us to incur significant expenses and distractions that could adversely affect our business. Violations of the FCPA, or a similar anti-bribery law, may result in criminal or civil sanctions, including contract cancellations or debarment, and loss of reputation, which could have a material adverse effect on our results of operations and financial condition. We do not have a comprehensive product liability insurance program and product liability claims could hurt our business. Currently, we do not have a comprehensive product liability insurance program, although the insurance carried by our suppliers may cover certain product liability claims against us. As a marketer of dietary supplements, cosmetics and other products that are ingested by consumers or applied to their bodies, we may become subjected to various product liability claims, including that: • our products contain contaminants or unsafe ingredients; • our products include inadequate instructions as to their uses; or • our products include inadequate warnings concerning side effects and interactions with other substances. If our suppliers' product liability insurance fails to cover product liability claims or other product liability claims, or any product liability claims exceeds the amount of coverage provided by such policies or if we are unsuccessful in any third-party claim against the manufacturer or if we are unsuccessful in collecting any judgment that may be recovered by us against the manufacturer, we could be required to pay substantial monetary damages which could materially harm our business, results of operations and financial condition. As a result, we may become required to pay high premiums and accept high deductibles in order to secure adequate insurance coverage in the future. Especially since we do not have direct product liability insurance, it is possible that product liability claims and the resulting adverse publicity could negatively affect our business.

Intellectual Property, Information Technology and Cybersecurity Risks We may be unable to protect or use our intellectual property rights. We rely on trade secret, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection of our confidential information and trademarks. Moreover, the laws of some countries in which we market our products, including China, may not afford effective protection of our intellectual property rights. The unauthorized copying, use or other misappropriation of our confidential information, trademarks and other intellectual property could enable third parties to benefit from such property without paying us for it. This could have a material adverse effect on our business, operating results and financial condition. If we resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome, expensive and result in inadequate remedies. It is also possible that our use of our intellectual property rights could be found to infringe on prior rights of others and, in that event, we could be compelled to stop or modify the infringing use, which could be burdensome and expensive. We rely on and are subject to risks associated with our reliance upon information technology systems. Our success is dependent on the accuracy, reliability, and proper use of information processing systems and management information technology. Our information technology systems are designed and selected to facilitate order entry and customer billing, maintain member records, accurately track purchases and member compensation payments, manage accounting operations, generate reports, and provide customer service and technical support. Any interruption in these systems could have a material adverse effect on our business, financial condition, and results of operations. There can be no assurance that there will not be delays or interruptions in our information technology services. An interruption or delay in availability of these services could, if it lasted long enough, prevent us from accepting orders, cause members to leave our business, or otherwise materially adversely affect our business. System disruptions or failures, cybersecurity risks, and compromises of data, or the failure to comply with related laws and regulations, could harm our business. Because of our diverse geographic operations and our internationally applicable member compensation plans, our business is highly dependent on the secure and efficient functioning of our information technology systems, and the security of personal and sensitive business data. We collect certain personal information, including payment data, from members and consumers, as well as our employees. We also develop and maintain sensitive and proprietary business information. Any systems failure or interruption, breach in security, or loss of data, whatever the cause, could adversely affect our operations and financial results. Systems disruptions and data breaches can derive from natural disasters, accidental technological events or human error, but can also result from fraud or malice on the part of external or internal parties. Our systems, networks and software, like those of other companies, have been and are likely to continue to be, the target of cybersecurity threats and attacks, which may range from isolated or random attempts to sophisticated and targeted measures directed specifically at us. The risk of a systems disruption or data breach, particularly through cyber-attack or cyber intrusion, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. A material systems disruption or data breach affecting us could damage our reputation, deter members from purchasing our products, and result in cost and liability to us. Although we have implemented technical and administrative safeguards to maintain the security and integrity of our information technology systems and data, there can be no assurance that our security efforts and measures will be effective in a continually evolving threat environment. In addition to the risks presented by malicious actors and natural disasters, many systems disruptions and data breaches are reportedly caused by human error. Therefore, despite our security policies and mandatory training, our systems and data are exposed to the risk that human error could either create a vulnerability that could be exploited by an attacker, or expose our systems and data to unintended risk of compromise. In addition, as described below, most of our information technology systems and data are hosted by third-party vendors over which we have limited control. We anticipate that we will be required to expend additional resources in order to continue to enhance our technical and administrative safeguards, and to investigate and remediate any vulnerabilities in our systems, networks and software. In any case, a data breach or other significant disruption of our information systems or those related to our third-party vendors, including as a result of cyber-attacks, could (1) disrupt the proper functioning of our systems and networks and therefore operations, (2) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of personal, confidential, sensitive or otherwise valuable data or other information, (3) result in a violation of applicable privacy, cybersecurity, data breach notification requirements under applicable laws, regulations and contractual provisions, subjecting us

to additional regulatory scrutiny, and exposing us to possible fines, lawsuits and related financial liability, (4) require significant management attention and financial resources to investigate and remedy the breach or disruption, and (5) harm our reputation, cause a decrease in the number of our members and revenue, and otherwise damage our business. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. Finally, we are subject to numerous laws, regulations and other obligations that address privacy, data collection and information security in the various markets in which we conduct business and, despite our compliance efforts, we or our third- party vendors may not comply with all applicable requirements. See “ Item 1A. Risk Factors- Our business is subject to a variety of laws, regulations and other obligations regarding privacy, data protection and information security ... ”. Our systems, software and data reside on third- party servers, exposing us to risks that disruption or intrusion of those servers could temporarily or permanently interrupt our access and damage our business. Most of our systems, software and data reside in the “ cloud ” on servers operated by third- party vendors to which we have limited access. We assess the risks presented by these third- party vendors, and our contracts with them contain representations, warranties and other provisions related to the security of our data, and of the systems and software on which we rely. We are, however, limited in our ability to mitigate the risks of a systems disruption or data breach affecting our third- party vendors. Moreover, any delay or failure in payment of the third- party vendors, disputes with such vendors, or business interruption or failure of the third- party vendors could result in loss of or interruption in access to our systems, software or data. It is possible that our systems, software and data could in the future be moved to servers of different third parties or to our own servers. Any such move could result in temporary or permanent loss of access to our systems, software or data. Any protracted loss of such access would materially and adversely affect our business, financial condition and results of operations.

Common Stock Risks Our common stock is particularly subject to volatility because of the industry and markets in which we operate. The market prices of securities of direct selling companies have been extremely volatile, particularly those of companies that derive a substantial portion of their revenue from China and / or Hong Kong. These companies have experienced stock market price fluctuations that have often been disproportionate to their operating performance. These broad fluctuations could adversely affect the market price of our common stock. Our common stock continues to experience wide fluctuations in trading volumes and prices. This may make it more difficult for holders of our common stock to sell shares when they want and at prices they find attractive. The public market for our common stock has historically been very volatile experiencing wide fluctuations in trading volumes and prices. There are a number of factors that may contribute to this volatility, including the following:

- active participation of speculative traders in our stock (including short sellers);
- limited trading activity in our common stock;
- the sale of a large number of shares of our common stock from time to time;
- market rumors regarding our business operations;
- government scrutiny of our business;
- adverse publicity related to our business or industry; and
- fluctuations in our operating results.

This market volatility for our common stock may make it more difficult for holders of our stock to sell shares when they want and at prices they find attractive. There can be no assurance that a larger or more liquid market will be developed or maintained for our common stock.