



The Direct Selling Association of Hong Kong Limited

A member of the World Federation of Direct Selling Associations

www.hkdsa.org.hk

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GUIDELINE ON MEMBERSHIP RECRUITEMENT

Incorporated in 1979, the Direct Selling Association of Hong Kong Limited (HKDSA) is a trade association of person-to-person marketing companies in Hong Kong. Direct Selling is the marketing of consumer goods and services directly to consumers generally in their homes or the homes of others, at their workplace and other places away from shops, usually through explanation or demonstration of the goods or services by a salesperson. In Hong Kong, there is no specific licensing requirement for conducting direct selling business. HKDSA is a private trade association. Membership of HKDSA is not a prerequisite for conducting direct selling business in Hong Kong. HKDSA welcomes mature direct selling companies which operate in Hong Kong and are in agreement with and meet the values and self-regulatory rules set forth by HKDSA to apply for membership. These obligations require a level of ethical standard from companies that conforms with or exceeds applicable legal requirements. To become members of HKDSA, companies must first apply for Associate Membership of HKDSA. HKDSA will examine each membership application in accordance with the standards set forth by HKDSA and shall be entitled to accept or refuse any application at HKDSA's sole and absolute discretion and shall not be bound to give any reason for a refusal. HKDSA is not liable for any loss, damages or compensation arising directly or indirectly by any membership application and the acceptance or rejection of the same. HKDSA may seek legal advice from a solicitors' firm in Hong Kong before deciding whether to accept or refuse any application. HKDSA may also request the applicant to submit legal opinion issued by a solicitors' firm in Hong Kong to HKDSA's reasonable satisfaction.

The following are the criteria for evaluation of the candidate companies which apply for HKDSA membership.

1. Type of membership

Full Members are company members who enjoy the full rights of the association including the right to vote, take office as officer of the Association, and use HKDSA logo.

Associate Member is not eligible to vote at any General Meeting of the Association, is not eligible to seek or hold office as officer of the Association or member of the Committee and is not authorized to use the logo of the Association. Associate Member can describe themselves as Associate Member of HKDSA. Associate Member may join the activities of HKDSA only by invitation of the Committee.

Full Membership of HKDSA is only open for application by an Associate Member who has gone through the "Minimum Period", which shall typically be no less than 12 months. Associate Member of HKDSA is open for application by any company incorporated in Hong Kong conducting direct selling business in Hong Kong.

2. Application form and application fee

The applicant company must complete and submit the HKDSA Associate Member Application Form (the "Form") with all the information as requested in the Form. The applicant company must pay the application fee which is not refundable regardless of the result of the membership application.

3. Accept mature direct selling companies for membership

HKDSA only accepts direct selling companies which have been operating in Hong Kong for over 5 years and have gained significant success in Hong Kong market as Associate Members. Criteria for assessing the eligibility of an applicant company under this section are as follows:-

- a. it was incorporated in Hong Kong for more than 5 years as at the date of application.
- b. it has been conducting direct selling business in Hong Kong for over 5 years as at the date of application.
- c. it has been releasing bonus to direct selling distributors in Hong Kong under their Hong Kong compensation plan for over 5 years as at the date of application.
- d. it has over 500 qualified bonus-receiving direct selling distributors in each of 3 fiscal years immediately preceding the date of application. Fiscal year means April 1 to March 31 of the following year. Qualified bonus-receiving distributorship means those distributors who receive bonus by selling your company's products following the compensation plans of your company. The qualified bonus-receiving distributor must be a holder of HK Identity Card or HKSAR passport. For the purpose of this clause, distributor with the same HK Identity Card or HKSAR passport will only be counted once in each Fiscal year irrespective of the number of distributorships that he/she holds.

4. Accept applicant companies who agree and meet the requirements of HKDSA Code of Conduct, including but not limited to the following criteria:-

- a. Accept the HKDSA Code of Conduct.
- b. Adopt business practice in compliance with HKDSA Code of Conduct.
- c. Have at least 7 days Cooling-Off Period for purchased products.
- d. The handling fee of product buyback upon termination of a direct selling distributorship is not more than 10% of the net purchase price of the products.
- e. The start-up cost of signing up as distributor is reasonable.
- f. The cost of mandatory initial inventory purchase is reasonable.
- g. Have product guarantee/warranty, and terms are clearly stated in the brochure.

5. Accept applicant companies which have no legal and/or reputation issue.

- a. The applicant companies should have no major legal action taken against them as at the date of application and/or within 5 years before the date of application. This includes the headquarters and offices or branches of the applicant companies in Hong Kong or overseas. Any pending legal action and/or legal action taken against the applicant companies within 5 years before the date of application should be disclosed in the Application Form.
- b. The applicant companies, including their headquarters and offices or branches in Hong Kong or overseas, should have no claim or investigation of deceptive trade practice or breach of law/regulation against them as at the date of application and/or within 5 years before the date of application. Any pending claim or investigation and/or claim or investigation taken against the applicant companies within 5 years before the date of application, irrespective of whether they have been settled or concluded should be disclosed in the Form.
- c. The applicant companies, including their headquarters and offices or branches in Hong Kong or overseas, should have no complaint case or controversial business practice as at the date of the application and/or within 5 years before the date of application. Any pending complaint and/or complaint taken against the applicant within 5 years before the date of application, irrespective of whether they have been settled or concluded, should be disclosed in the Form.

Failure to disclose any information related to the above may lead to the rejection of the applicant companies' membership applications or revocation of membership. For any legal action, claim, complaint or otherwise disclosed in the Form, HKDSA will take into account the nature, seriousness, amount, and other factors thereof as HKDSA may consider appropriate in deciding whether to accept or reject the application.

6. Accept only those companies which have not breached the Pyramid Schemes Prohibition Ordinance (Cap. 617 of the laws of Hong Kong) and any amendments and/or re-enactments thereof, and/or other laws of Hong Kong.

Applicant companies should strictly adhere to the prohibition against promotion, operation and/or participation of “pyramid scheme” as set out in Pyramid Schemes Promotion Ordinance (Cap. 617 of the laws of Hong Kong) and any amendments and/or re-enactments thereof. If so required by HKDSA, applicant company must, at its own costs, obtain a legal opinion from a solicitors’ firm in Hong Kong confirming that the compensation plan and sales practices of the applicant company are not in breach of the Pyramid Schemes Prohibition Ordinance to the reasonable satisfaction of HKDSA.

In examining the applications, HKDSA may wish to seek legal advice from third party solicitors’ firm in Hong Kong before deciding whether to accept or refuse any application. HKDSA will first notify applicant companies before seeking such legal advice, and applicant companies will then have 30 calendar days to notify HKDSA whether they agree to the same or not. If applicant companies agree to the seeking of legal advice by HKDSA, they shall be deemed to have also agreed to bear all legal costs so spent by HKDSA in seeking such legal advice, and applicant companies shall reimburse HKDSA of all legal costs so spent by HKDSA within 30 calendar days upon provision of the amount so spent, regardless of the results of the applications. If applicant companies object to the seeking of legal advice by HKDSA from third party solicitors’ firm in Hong Kong, HKDSA may reject the applications. If applicant companies do not reply within the aforesaid 30 calendar days’ period, the applications will be deemed withdrawn and the membership application fees will not be refunded.

7. Products should be easily understandable, of tangible value and easy to be operated for the success of distributor.
- a. Must have at least 80% of the revenue in the past 3 consecutive fiscal years from the application date be generated from the sales of physical products. Fiscal year means the period April 1 to March 31 of the following years.
 - b. The nature, performance and claims of product sold should be understandable by an average consumer in Hong Kong.
 - c. The price of the product is comparable to those of similar products in consumer commodity markets, not counting any price from auction, futures, collectable markets or similar platform.
 - d. There is no need for extensive training and/or substantial money investment before a distributor can start the distribution/selling of a product.
 - e. Pricing of the applicant company's products should be reasonable, as compared to similar products in market.
 - f. Products sold by the applicant company must be in compliance with consumer protection and product safety laws and regulations of Hong Kong.
 - g. Product claims must be non-deceptive and in compliance with the laws and regulations of Hong Kong.
 - h. HKDSA does not accept products in the form of cyber financial instrument (such as bitcoin), memorial coins, etc.
8. Preference will be given to those companies which are members of other direct selling associations which are member of World Federal of Direct Selling Associations (WFDSA).