

Date

XX Co. Ltd. (Customer's Co Name)

Dear Customer,

**Re: Employment and Retirement Schemes Legislation (Offsetting Arrangement)  
(Amendment) Bill 2022**

The Legislative Council passed the *Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022* on 9 June 2022, the full implementation of which is expected to be in 2025. From the date it takes effect, employers can no longer use the accrued benefits derived from their mandatory MPF contributions to offset employee's severance payment (SP) or long service payment (LSP).

The Government explicitly states that the purpose of this amendment bill is to improve employees' retirement protection. Since April 2019, the Government has taken the lead in introducing the "gratuity" regime, whereby contractors of all Government out-sourced service contracts are obliged to pay their employees 6% of total wages as "gratuity", so as to protect employees' benefits upon completion of contracts. The amount of "gratuity" paid can continue to be used to offset the employee's SP/LSP entitlement for the corresponding period.

The environmental hygiene profession is a labour-intensive, contract-based industry. We welcome the introduction of this legislation which will further protect employees' lawful rights. In order to effectively conform to its implementation, as from 2025, our company will follow the Government's initiative, to include 6% gratuity cost in all of our service contracts to enable us to pay our employees their legal benefits and set an example of one of society's good enterprises.

We trust this arrangement will give us not only a fair and reasonable grounding in providing good service for our customers, but also a very attractive package to keep employees working in good spirit. We look forward to having your kind support as always.

Yours faithfully

XX Cleaning Co. Ltd.