

China Life Central Provident Fund
(“Fund”)

NOTICE TO PARTICIPATING EMPLOYERS AND
MEMBERS

This notice is important. If you are in doubt about the contents of this notice, you should seek independent professional financial advice.

Dear Employers and Members,

Thank you for your continuous support to China Life Trustees Limited (the “Trustee”). We write to inform you of the changes to the trust deed and principal brochure of the Fund.

1. Miscellaneous changes to the operations of the Fund and the information of parties to the Fund

Change to the operations of the Fund

- 1.1. Currently, the provisions of the trust deed of the Fund that govern the circumstances in which a member’s benefits may be forfeited to the Fund and the handling of the forfeited benefits, i.e. clause 18 of the trust deed, are fairly broad. We, after having taken into account the practices of the Hong Kong retirement scheme market, will revise clause 18 with effect from 7 April 2025 to make it clear that:
 - (a) only two circumstances in which benefits will be forfeited, namely, (i) where the affected member is in the reasonable opinion of the Trustee taking into account any certification by a registered medical practitioner or registered Chinese medical practitioner certifying that that Member is or has become of unsound mind or incapable of his own affairs; or (ii) where that Member is adjudicated bankrupt or assigns, charges, disposes of or otherwise alienate such right, interest or benefit or attempts or purports so to; and
 - (b) only benefits that can be forfeitable under law will be subject to clause 18.
- 1.2. The Trustee of the Fund will then apply the forfeited benefits for the benefit of the affected member, any nominated beneficiaries of the affected member and/or any person(s) who are financially dependent upon the affected member, in such manner as the Trustee shall think fit.

Update of Trustee’s information and change of auditor

- 1.3. We have also taken this opportunity to update the principal brochure of the Fund to update the information of the Trustee that it is licensed to carry out Type 13 regulated activity (providing depositary services for relevant collective investment schemes) under the Securities and Futures Ordinance effective 2 October 2024, and the auditor of the Fund has been changed to Deloitte Touche Tohmatsu effective 18 December 2024.

Impact on Employers and Members

- 1.4. We do not consider that the above changes would have any adverse impact on the interests of Employers and Members of the Fund. The costs and expenses incurred in relation to the above will be solely borne by the Trustee of the Fund.

2. Offsetting Arrangement

Overview

- 2.1. Currently, vested benefits attributable to the employer's contributions to participating schemes under the Fund (the “**Vested Employer's Benefits**”) can be used to offset statutory long service payment or severance payment (the “**LSP / SP**”) payable to the employees in accordance with the Employment Ordinance (the “**ORSO Offsetting Arrangement**”).

2.2. Effective from 1 May 2025 (the "**Transition Date**"), the ORSO Offsetting Arrangement will be changed as follows (the "**Change**"). The Change will be applicable to MPF-exempted ORSO schemes.

- (a) **Carved-out benefits** (calculated based on the formula below): employers cannot use the Carved-out benefits to offset an employee's LSP / SP in respect of the employee's years of service from and including the Transition Date ("**post-Transition portion of LSP / SP**"). Despite this, employers can continue to use the Carved-out benefits to offset an employee's LSP / SP in respect of the employee's years of service before the Transition Date ("**pre-Transition portion of LSP / SP**").
- (b) **Remaining Benefits** (i.e. the vested benefits attributable to the employer's contributions less the Carved-out benefits): employers can continue to use the Remaining Benefits to offset both an employee's pre-Transition portion of LSP / SP and post-Transition portion of LSP / SP.

2.3. "Carved-out benefits" is an amount calculated using the formula below:

$$\text{Carved-out benefits} = \frac{\text{Average monthly relevant income in the 12 months immediately preceding the termination of employment (subject to the statutory cap of relevant income under the MPFSO)}}{\text{Years of service with participating scheme on and after 1 December 2000}} \times 5\% \times 12$$

Implication of the Change

2.4. The implications of the Change are summarised as follows:

- (a) For an employee whose employment commences **prior to the Transition Date** and is terminated on or after the Transition Date:
- (i) with respect to the employee's years of service prior to the Transition Date: the employer may offset the pre-Transition portion of LSP / SP against both the Carved-out benefits and Remaining Benefits (if any); and
- (ii) with respect to the employee's years of service from and including the Transition Date: the employer may offset the post-Transition portion of LSP / SP against the Remaining Benefits (if any). However, the employer cannot use the Carved-out benefits to offset the post-Transition portion of LSP / SP.
- (b) For an employee whose employment commences **on or after the Transition Date**, the employer may offset the LSP / SP against the Remaining Benefits but cannot offset the LSP / SP against the Carved-out benefits.

2.5. For further details and illustrative examples of the Change, please visit the Thematic Webpage of the Labour Department (<https://www.op.labour.gov.hk/en/index.html>).

2.6. The form "Notice of Request for Refund of Long Service Payment (LSP)/Severance Payment (SP)" will be updated to reflect the above changes. The updated form will be available to download from our website (www.chinalife.com.hk) from 1 May 2025.

The trust deed of the Fund will be amended by way of the Seventh Deed of Variation and latest principal brochure will be amended by way of the First Addendum to reflect the above amendments. The principal brochure and the First Addendum will be available from the date of this notice for inspection at our office at Room 801, 8/F, Tower A, China Life Center, One HarbourGate, 18 Hung Luen Road, Hung Hom, Kowloon. The principal brochure and the First Addendum can also be downloaded from our website www.chinalife.com.hk. Should there be any questions, please contact our hotline on (852) 3999 5555 for enquiry.

China Life Trustees Limited

7 March 2025

This is a computer printout and no signature is required.