



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

**By email (research@hsi.com.hk)**

22 January 2021

Our Ref.: C/CFAP, M128798

Research Department  
Hang Seng Indexes Company Limited  
19/F Hang Seng Bank Headquarters  
83 Des Voeux Road Central  
Hong Kong

Dear Sirs,

**[Consultation Paper: Proposal to enhance the “Hang Seng Index” as regards continuing to serve as the most representative and important benchmark of the Hong Kong stock market](#)**

The Corporate Finance Advisory Panel of the Hong Kong Institute of CPAs has considered the above consultation paper. Given the changes in the landscape of the Hong Kong stock market noted on page 4 of the consultation paper, the Panel agrees, in principle, that the Hang Seng Index should be further developed to strengthen its representativeness and diversity, as the principal benchmark of the Hong Kong stock market.

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In the consultation paper and also in a separate appendix, we provide some comments and observations on specific proposals, and suggest that some comparative information with major indices in other international financial markets (e.g. Dow Jones Industrial Average, FTSE 100, Standard & Poor’s 500, etc.) would be helpful in the case of certain proposals.

Should you have any questions on this submission, please feel free to contact me at the Institute on 2287 7084 or at [peter@hkicpa.org.hk](mailto:peter@hkicpa.org.hk).

Yours faithfully,

Peter Tisman  
Director, Advocacy & Practice Development

PMT/NCL/pk  
Encl.



## CONSULTATION PAPER

*Proposal to enhance the “Hang Seng Index” as regards continuing to serve as the most representative and important benchmark of the Hong Kong stock market*

**December 2020**

(Data as of 30 November 2020 and sourced from Hang Seng Indexes Company Limited unless otherwise specified)

**Note:**

The information and questions in this document are for the sole purpose of gathering opinions from market participants and various stakeholders. Changes to the relevant indexes, if any, will be announced at a later date.

## Responding to the Consultation

Please send us your responses to [research@hsi.com.hk](mailto:research@hsi.com.hk) by **24 January 2021**. Thank you.

All responses will be kept strictly confidential and used solely for the purposes of internal research and discussion by Hang Seng Indexes Company Limited (“Hang Seng Indexes Company”).

If you wish to provide your responses in hardcopy format, please mail to:

RESEARCH DEPARTMENT  
HANG SENG INDEXES COMPANY LIMITED  
19/F HANG SENG BANK HEADQUARTERS  
83 DES VOEUX ROAD CENTRAL HONG KONG

## Respondent Details

In order to better understand your valuable opinions, we may further contact you via e-mail and / or phone for follow-up after you return your responses. Please provide your contact information for this purpose. Failure to provide valid contact details may result in your responses being excluded from this consultation. Thank you.

**Name:** \_\_\_\_\_

**Job Title:** \_\_\_\_\_

**Organisation:** \_\_\_\_\_

**Professional Profile:**

<input type="checkbox"/> Academic or Institute	<input type="checkbox"/> Asset Owner
<input type="checkbox"/> Broker or Dealer	<input type="checkbox"/> Exchange
<input type="checkbox"/> Individual Investor	<input type="checkbox"/> Investment Manager
<input type="checkbox"/> Passive Fund Manager	<input type="checkbox"/> Regulatory
<input type="checkbox"/> Others (please specify)	_____

**Contact Number\*:** \_\_\_\_\_

**E-mail address\*:** \_\_\_\_\_

**Date:** \_\_\_\_\_

*\* Please provide at least one channel through which you can be contacted*

## Important Note

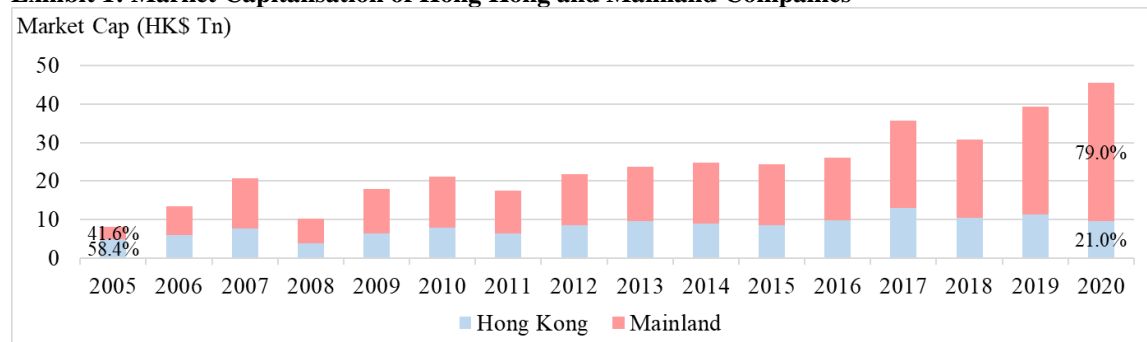
The information (including personal information) provided in or collected from this consultation may be used by Hang Seng Indexes Company for research, analytical and statistical purposes relating to this consultation.

## A. Background: The Past and the Present of the Hang Seng Index (“HSI”)

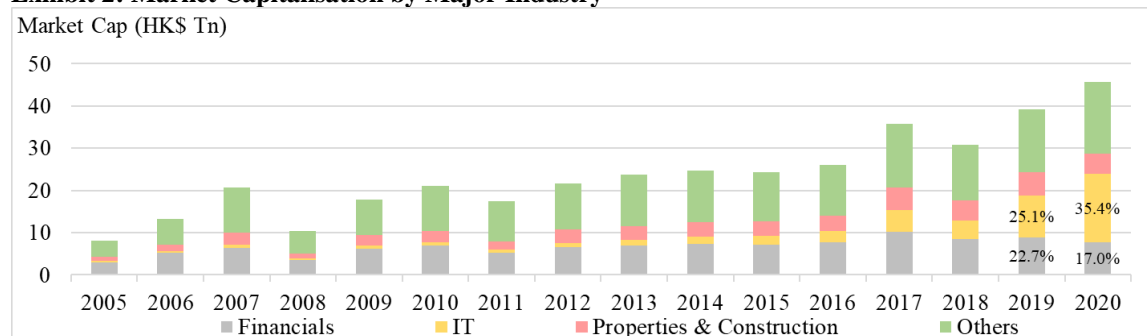
### The Evolution of the Hong Kong Stock Market

- The Hong Kong stock market underwent significant structural changes over the past 15 years. The total market capitalization grew by 458%, i.e. from HK\$8.2 Trillion in 2005 to HK\$45.6 Trillion in 2020. Meanwhile, the proportion of Mainland companies increased from 41.6% to 79.0% during the same period and the Information Technology (“IT”) overtook the Financial as the largest industry in 2019.

**Exhibit 1: Market Capitalisation of Hong Kong and Mainland Companies\***



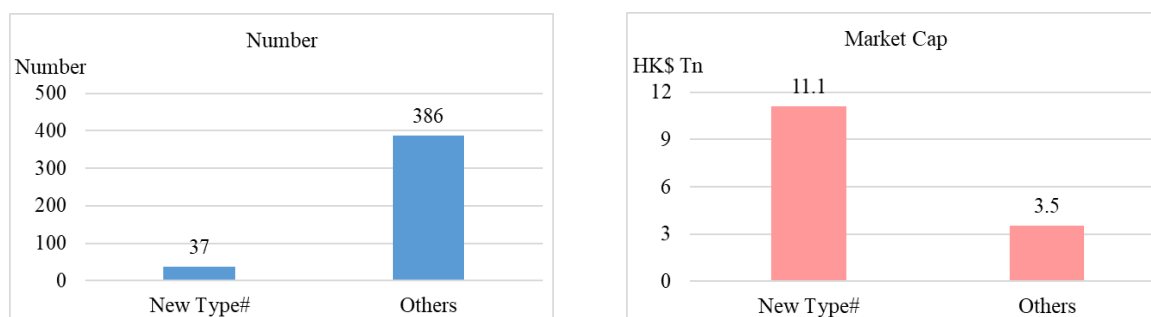
**Exhibit 2: Market Capitalisation by Major Industry\***



\* Excludes Foreign Companies

- The prominence of IT rose after the HKEX established a series of new listing chapters, such as Chapter 8A, 18A and 19C, in 2018 to accommodate companies in industries characterized by innovations and technologies. The new development encouraged a number of sizable new listings under the weighted voting right (“WVR”) or secondary-listing structure in Hong Kong.

**Exhibit 3: Distribution of New Listings (listed after 30 April 2018)**



# Companies listed via Chapter 8A / 18A / 19C of HKEX Listing Rules

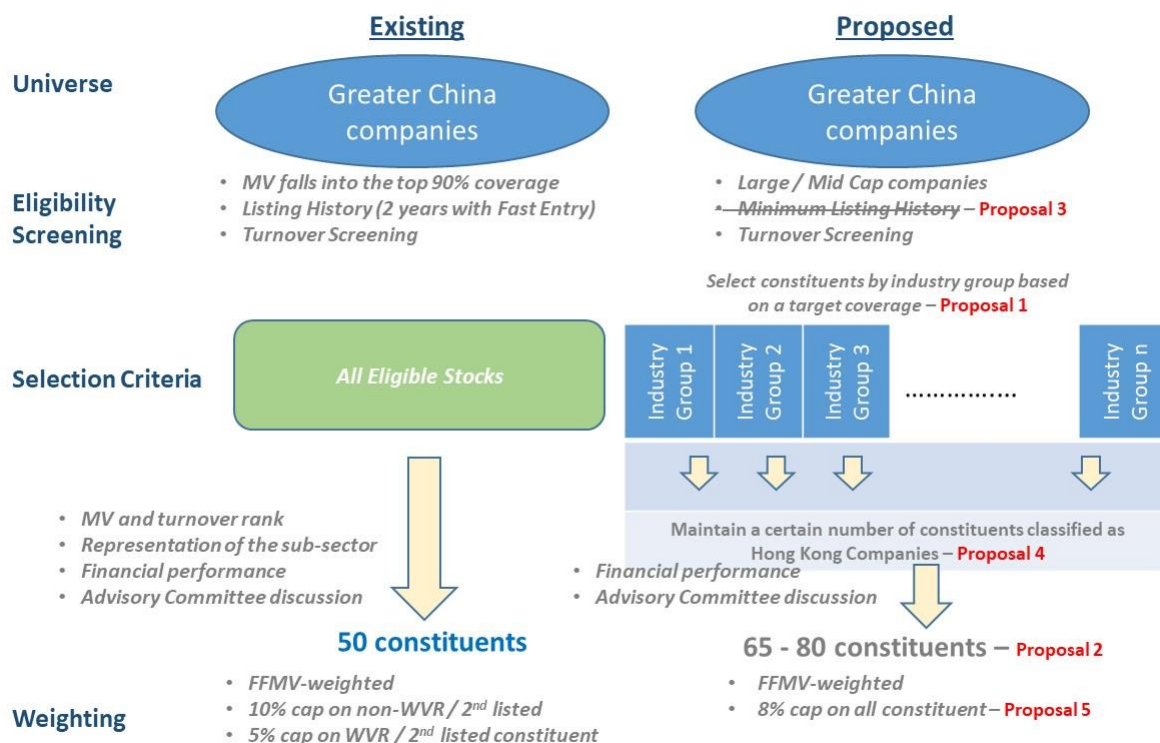
## Development of the HSI

- The HSI was launched in 1969 and has been acting as the benchmark of the Hong Kong stock market.
- Started with only 33 constituents at launch, the number of constituent increased to 38 in 2007 when it began to include H-shares companies.
- The HSI then gradually expanded and reached 50 constituents in 2012 when there were around 1,380 listed companies in Hong Kong and the HSI covered roughly 60% of the aggregate market capitalisation at that time. The number of constituents remained unchanged at 50 for more than 8 years and expanded to 52 in December 2020.
- The HSI constituents are principally selected based on the sizes of the companies and the potential candidates usually have at least 2 years of listing history. The index is freefloat market capitalization-weighted with a cap of 10% on individual constituent weighting. Secondary-listed/ WVR constituents are subject to a 5% weighting cap.
- Given the rapid changes in the landscape of the Hong Kong stock market, the HSI is planning to have the following enhancements:
  1. *Expansion in industrial representation*
  2. *Enlargement in market coverage*
  3. *Prompt inclusion of sizeable new listings*
  4. *Representation of Hong Kong companies to remain intact*
  5. *Enrichment in constituent weighting distribution*

## B. Summary of the Proposed Methodology Enhancement

- Hang Seng Indexes Company announced in August 2020 to study the HSI composition and submitted an initial proposal to the Advisory Committee in November 2020.
- In this consultation, Hang Seng Indexes Company wishes to solicit market feedback on the proposals to enhance the Hang Seng Index as regards continuing to serve as the most representative and important benchmark of the Hong Kong stock market.
- The proposals are depicted in Exhibit 4.

**Exhibit 4: Comparison of the Existing Index Methodology and the Proposed Index Methodology**



## C. Enhancement Proposals

### Enhancement 1: Expansion in Industrial Representation

**Proposal 1:** Select constituents by industry group (e.g. consolidate the 12 industries into 6 groups); and based on a target coverage for each industry group (i.e. in terms of market capitalisation, turnover etc.) to select

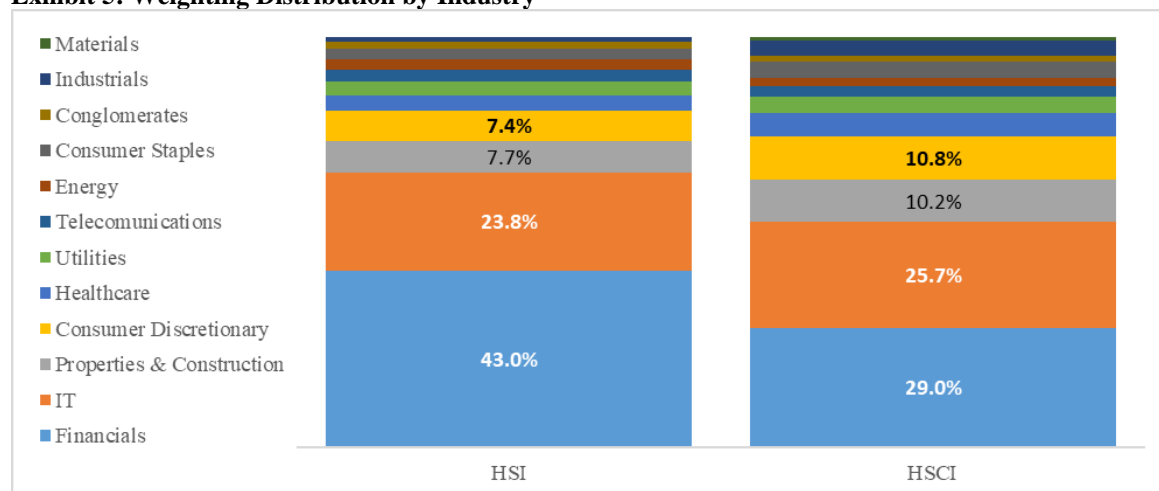
*Rationale:* This method ensures a more balanced representation for the major industries identified in the Hong Kong stock market. In addition, our simulation indicates that selecting constituents by industry group can alleviate the weight concentration issue for certain industries.

Summary of the simulation results (see Appendix)

### Relevant Information

- The dominance of Financials in HSI has been a widely discussed topic for a long time. More recently, the significance of constituents in the new economy and IT industries of HSI also brought investors' attention following the admission of WVRs and secondary listings to the HSI.

**Exhibit 5: Weighting Distribution by Industry**



HSCI: Hang Seng Composite Index

Data as of 4 December 2020 after index rebalancing

- Among the 12 industries, Telecommunications, Financials and IT achieved a coverage of over 80% in terms of market capitalisation within the industry as of 4 December 2020. Conversely, the industrial coverage was less than 40% for industries such as Materials, Industrials, Consumer Staples, Consumer Discretionary and Healthcare. The uneven coverage can be attributed to the different size distribution within the industries, which are often considered to be a phenomenon of the Hong Kong stock market.

**Exhibit 6.1: Market Capitalisation Coverage by Industry**

Industry	2015	2016	2017	2018	2019	2020*
IT	88.7%	86.8%	89.5%	77.1%	61.4%	88.0%
Financials	83.5%	80.2%	80.9%	83.5%	84.0%	83.8%
Telecommunications	95.4%	95.3%	94.9%	87.4%	86.2%	83.3%
Energy	74.3%	76.7%	71.7%	75.4%	88.7%	79.5%
Conglomerates	81.3%	80.7%	76.5%	74.0%	77.4%	65.9%
Utilities	49.2%	65.2%	59.7%	56.8%	45.6%	42.8%
Properties & Construction	49.2%	49.7%	50.8%	46.5%	46.7%	42.2%
Consumer Discretionary	40.2%	40.7%	39.8%	40.7%	40.7%	37.3%
Consumer Staples	36.2%	20.1%	36.2%	36.7%	28.9%	37.1%
Healthcare	0.0%	0.0%	0.0%	23.3%	24.8%	29.3%
Industrials	10.4%	19.5%	31.5%	17.6%	28.4%	21.7%
Materials	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Overall</b>	<b>64.3%</b>	<b>65.0%</b>	<b>64.4%</b>	<b>62.7%</b>	<b>58.1%</b>	<b>57.6%</b>

\* Data as of 4 December 2020 after index rebalancing

**Exhibit 6.2: Number of HSI and HSLMI Constituents by Industry**

Industry	2015		2016		2017		2018		2019		2020*	
	HSI	HSLMI	HSI	HSLMI	HSI	HSLMI	HSI	HSLMI	HSI	HSLMI	HSI	HSLMI
IT	2	14	2	17	2	20	1	21	1	21	4	22
Financials	12	38	12	47	12	46	11	46	11	42	11	40
Telecommunications	2	5	2	5	2	5	2	7	2	7	2	7
Energy	6	26	6	28	6	27	6	23	4	10	3	8
Conglomerates	3	8	3	7	3	7	3	9	3	7	2	7
Utilities	5	19	6	21	5	19	5	19	4	21	4	20
Properties & Construction	9	54	9	51	11	51	10	56	11	62	10	63
Consumer Discretionary	6	45	6	46	4	44	5	53	6	59	7	58
Consumer Staples	4	20	2	18	3	18	3	15	4	20	4	20
Healthcare	0	12	0	15	0	14	2	17	2	19	3	28
Industrials	1	30	2	32	3	33	2	30	2	24	2	22
Materials	0	9	0	10	0	7	0	11	0	12	0	10
<b>Total</b>	<b>50</b>	<b>280</b>	<b>50</b>	<b>297</b>	<b>51</b>	<b>291</b>	<b>50</b>	<b>307</b>	<b>50</b>	<b>304</b>	<b>52</b>	<b>305</b>

HSLMI: Hang Seng Composite LargeCap & MidCap Index

\* Data as of 4 December 2020 after index rebalancing

**Proposal 1: Select constituents by industry group (e.g. consolidate the 12 industries into 6 groups); and based on a target coverage for each industry group (i.e. in terms of market capitalization, turnover etc.) to select**

**Your view:**

- I support this proposal without further comment
- I have the following comments on the proposal



## Enhancement 2: Enlargement in Market Coverage

### Proposal 2: Increase the number of constituents to between 65 and 80

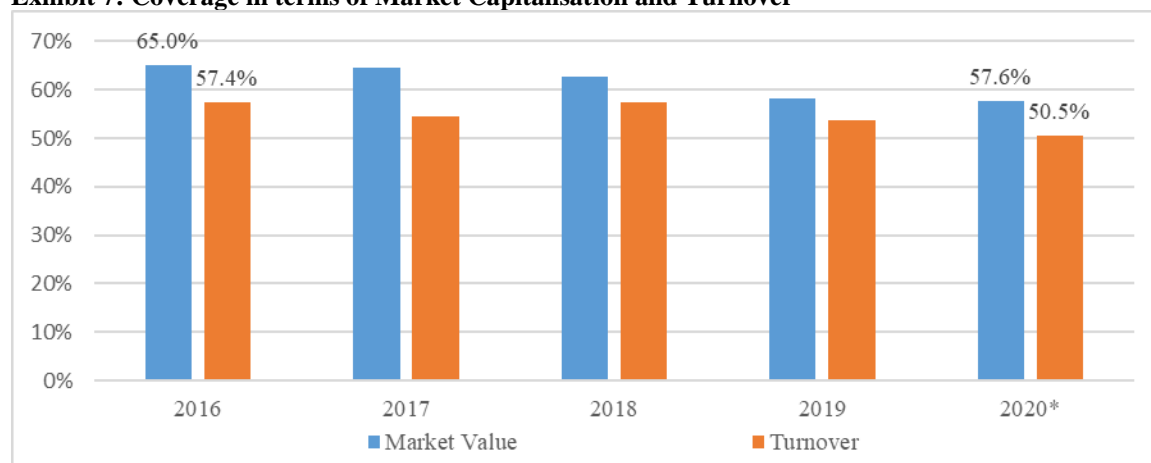
*Rationale: Assuming we adopt the above-mentioned constituent selection mechanism, the current number of index constituents will not be sufficient to achieve an appropriate level of representation. Our simulation suggests that increasing the number of constituents to between 65 and 80 can improve the overall coverage of the index and achieve a reasonable representation for each industry.*

Summary of the simulation results (see Appendix)

### Relevant Information

- The market capitalisation coverage of HSI gradually decreased from 65.0% as at the end of 2016 to 57.6% in December 2020. The coverage based on turnover also decreased from 57.4% to 50.5% in the same period.

**Exhibit 7: Coverage in terms of Market Capitalisation and Turnover**



\* Data as of 4 December 2020 after index rebalancing

### Proposal 2: Increase the number of constituents to between 65 and 80

#### Your view:

- I support this proposal without further comment
- I have the following comments on the proposal

### Enhancement 3: Prompt Inclusion of Sizable New Listings

#### Proposal 3: Remove the Minimum Listing History Requirement for Eligible Candidates

*Rationale: The removal of this requirement increases the flexibility for the HSI Advisory Committee to allow representative new listing to join the HSI on a timely basis.*

Summary of the simulation results (see Appendix)

#### Relevant Information

- Exhibit 8 shows the minimum listing history requirement of HSI. The newly listed companies in Exhibit 9, despite having larger market capitalisations compared to that of some existing HSI constituents, are not yet considered in the HSI constituent review due to the Minimum Listing History Requirement.

#### Exhibit 8: Minimum Listing History Requirement of HSI

MV Rank <sup>^</sup> by Review Cut-off Date	Minimum Listing History
Top 5	3 Months
6 – 15	6 Months
16 – 20	12 Months
21 – 25	18 Months
Below 25	24 Months

<sup>^</sup> MV Rank among stocks in the HSI review universe

#### Exhibit 9: Market Capitalisations and Rank of Major New Listings in 2020

Market Capitalisation (HK\$bn)	Number of New Listings	Market Cap Rank*
Over 1,000	1	5
Between 400 and 1,000	1	10
Between 200 and 400	4	16 - 26
Between 100 and 200	4	30 - 42

\*Rank among HSI constituents

#### Proposal 3: Remove the Minimum Listing History Requirement for Eligible Candidates

#### Your view:

- I support this proposal without further comment
- I have the following comments on the proposal

#### Enhancement 4: Representation of Hong Kong Companies to Remain Intact

**Proposal 4: Maintain a certain number of constituents classified as Hong Kong Companies (around 25 under the current situation) to sustain the level of representation of Hong Kong portion in the index**

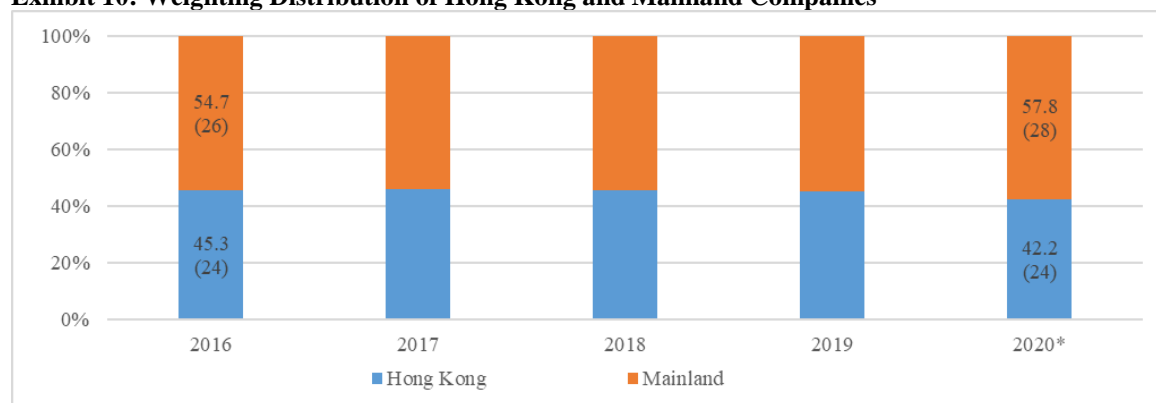
*Rationale: Despite decreasing proportion in terms of market capitalization for Hong Kong Companies, HSI should maintain a certain level of representation of this geographical segment given its status of the main benchmark of Hong Kong stock market.*

Summary of the simulation results (see Appendix)

#### Relevant Information

- The weighting of Hong Kong Companies in HSI gradually decreased from 45.3% as at the end of 2016 to 42.2% in December 2020. As the number of sizable new listing from Mainland increases, the number and weighting of Hong Kong Companies are expected to further decrease based on the current HSI methodology.

**Exhibit 10: Weighting Distribution of Hong Kong and Mainland Companies**



\* Data as of 4 December 2020 after index rebalancing

( ) No. of Constituents

**Proposal 4: Maintain a certain number of constituents classified as Hong Kong Companies (around 25 under the current situation) to sustain the level of representation of Hong Kong portion in the index**

#### Your view:

- I support this proposal without further comment
- I have the following comments on the proposal

## Enhancement 5: Enrichment in Constituent Weighting Distribution

**Proposal 5: Lower the weighting cap of individual constituent from 10% to 8%; and align the weighting cap of WVR and/or secondary listed constituents with that of other HSI constituents, i.e. 8%**

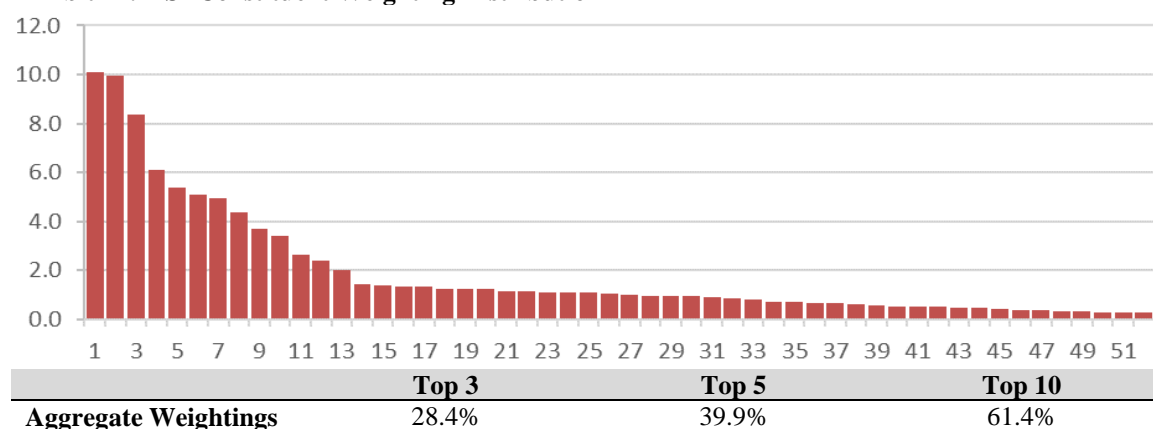
*Rationale: The decrease in individual constituent capping to 8% can enhance the diversification effect of HSI by decreasing the aggregate weighting of large constituents. The current weighting cap on Greater China secondary-listed or WVR constituents is set at 5%. As more companies are expected to be listed under these structures, the capping of these constituents should align with that of other HSI constituents.*

Summary of the simulation results (see Appendix)

### Relevant Information

- Currently, the largest five constituents accounted for around 40% of the index weighting. As a result, the performance of the HSI could possibly be affected by the price fluctuations of these large constituents.
- Despite their massive sizes, WVR/Secondary listed constituents are currently subject to a more restrictive individual stock capping of 5% as they are listed under a relatively new structure introduced by HKEX.

**Exhibit 11: HSI Constituent Weighting Distribution**



\* Data as of 4 December 2020 after index rebalancing

**Proposal 5: Lower the weighting cap of individual constituent from 10% to 8%; and align the weighting cap of WVR and/or secondary listed constituents with that of other HSI constituents, i.e. 8%**

**Your view:**

- I support these proposals without further comment
- I have the following comments on the proposals

## Other Related Questions

### Implementation of the Enhanced Methodology

- Assuming our aforementioned enhanced methodology entails an increased number of constituents between 65 and 80, the simulated one-way turnover is estimated to be between 15% and 20%.
- As the expected turnover is deemed to be manageable, the Hang Seng Indexes Company proposes to implement the transition to the enhanced methodology within one year.

#### **Your view:**

- I support to implement the transition to the enhanced methodology within one year
- I have the following comments on the proposals

### Other Dimensions for HSI Constituent Selection

- Besides size, liquidity and industry representation, any other dimensions should be considered when selecting the HSI constituents?

#### **Your view:**

~ Thank you ~

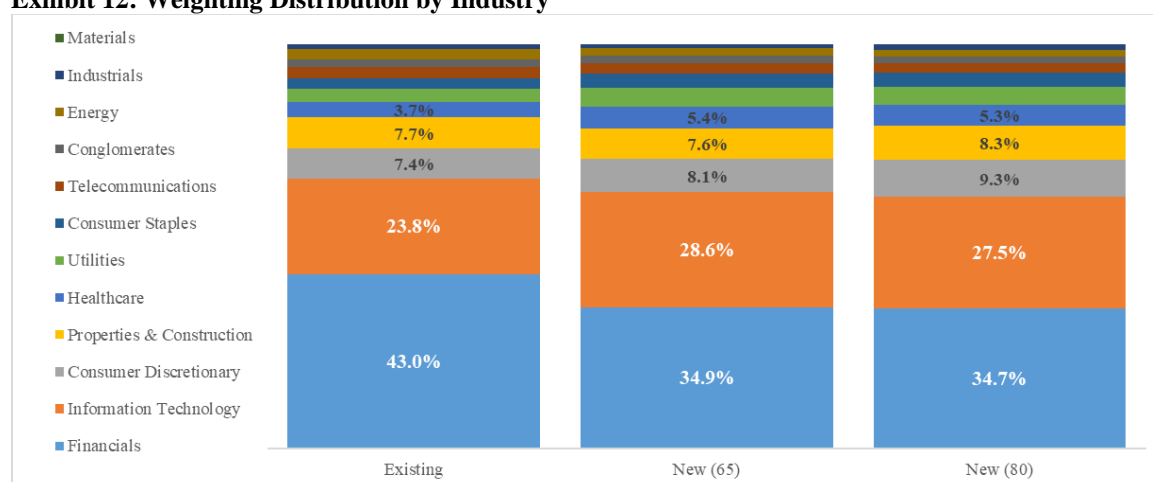
## Appendix - Key Simulations for the HSI under the Enhanced Methodology

### Assumptions:

- The simulated portfolios are based on our aforementioned proposals.
- Select constituents by industry group: Six industry groups, i.e. 1) Financials; 2) IT & Industrials; 3) Property & Construction; 4) Healthcare; 5) Consumption (combining Consumer Discretionary & Consumer Staples); and 6) Others (combining other industries in one group), are taken as an example for illustration purpose.
- Number of constituents: Two scenarios are simulated, i.e. 65 and 80.

### Comparison Between the Simulated Portfolios and the Existing HSI

**Exhibit 12: Weighting Distribution by Industry**



\* Data as of 4 December 2020 after index rebalancing

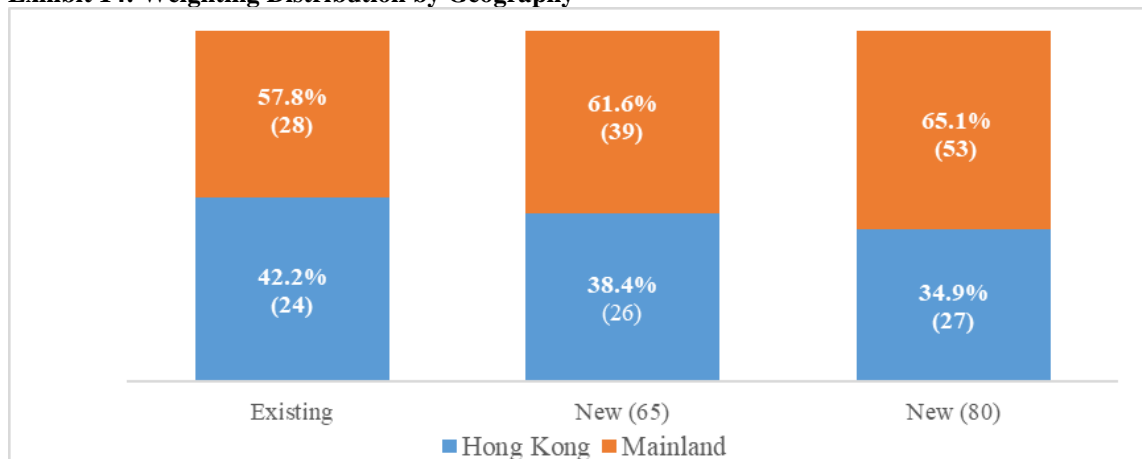
**Exhibit 13: Market Capitalisation Coverage and Number of Constituents by Industry**

Industry	Existing		New (65)		New (80)	
	Coverage <sup>^</sup>	Number	Coverage <sup>^</sup>	Number	Coverage <sup>^</sup>	Number
IT	88.0%	4	94.4%	7	95.2%	8
Telecommunications	83.3%	2	83.3%	2	83.3%	2
Financials	83.8%	11	76.8%	8	83.1%	10
Conglomerates	65.9%	2	82.2%	3	82.2%	3
Healthcare	29.3%	3	71.0%	8	78.3%	10
Utilities	42.8%	4	68.7%	7	74.7%	8
Energy	79.5%	3	70.8%	2	70.8%	2
Consumer Discretionary	37.3%	7	54.4%	10	65.5%	14
Consumer Staples	37.1%	4	56.0%	5	64.4%	6
Properties & Construction	42.2%	10	52.3%	12	63.9%	15
Industrials	21.7%	2	16.4%	1	27.6%	2
Materials	0.0%	0	0.0%	0	0.0%	0
<b>Overall</b>	<b>64.5%</b>	<b>52</b>	<b>72.5%</b>	<b>65</b>	<b>78.2%</b>	<b>80</b>

\* Data as of 4 December 2020 after index rebalancing

<sup>^</sup> Using HSLMI as universe

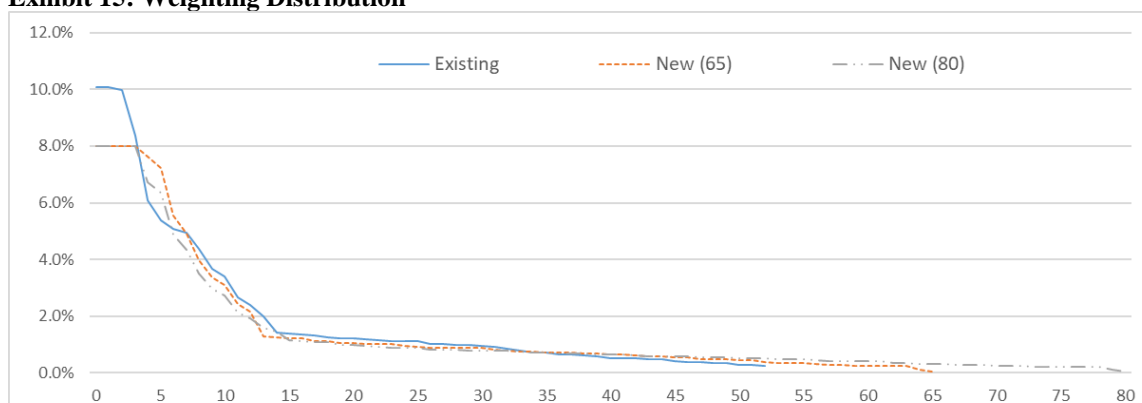
**Exhibit 14: Weighting Distribution by Geography**



\* Data as of 4 December 2020 after index rebalancing

( ) No. of Constituents

**Exhibit 15: Weighting Distribution**



Aggregate Weightings	Top 3	Top 5	Top 10
Existing	28.4%	39.9%	64.1%
New (65)	24.0%	38.9%	62.2%
New (80)	24.0%	37.1%	57.6%

\* Data as of 4 December 2020 after index rebalancing

**Exhibit 16: Weighting Distribution (Number)**

Weighting	Existing	New (65)	New (80)
>= 10%	1	0	0
[8%, 10%)	2	3	2
[5%, 8%)	3	3	3
[2%, 5%)	7	6	6
[1%, 2%)	14	11	7
[0.5%, 1%)	15	23	33
< 0.5%	10	19	29
<b>Total</b>	<b>52</b>	<b>65</b>	<b>80</b>

\* Data as of 4 December 2020 after index rebalancing



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## Appendix

### **Hong Kong Institute of Certified Public Accountants' Comments on Consultation Paper: Proposal to enhance the "Hang Seng Index" as regards continuing to serve as the most representative and important benchmark of the Hong Kong stock market**

#### ***Proposal 1 – Select constituents by industry group (e.g. consolidate the 12 industries into 6 groups); and based on a target coverage for each industry group (i.e. in terms of market capitalization, turnover etc.) to select***

- The Hong Kong Institute of Certified Public Accountants' Corporate Finance Advisory Panel ("CFAP") does not have a strong view, overall, on the proposal to consolidate the 12 industries into 6 groups. However, as regards the specifics, we have some doubt about the proposal to combine the "Information Technology" ("IT") and "Industrials" sectors. While the existing representative companies in the "Industrials" sector may be involved in the manufacturing of high technology products, the nature of the two sectors is not the same. The industrial sector is, for example, generally a highly capital-intensive sector whereas IT, in general, is not so nowadays.
- As indicated at page 3 of the consultation paper ("CP"), IT has already overtaken the "Financials" sector as the largest industry sector in the market in 2019. On that basis, IT would merit being a standalone sector rather than being combined with an unrelated sector.
- At the same time, it should be clarified whether the focus of the IT sector is really information technology, as the name suggests, or innovation and technology, as implied by the reference on page 3 of the CP to "companies characterized by innovations and technologies." If it is the latter, then perhaps the category name should reflect this, but if it is the former, arguably, it would be a closer fit to combine IT and "Telecommunications" into an ICT (information and communications technology sector). This could be an alternative approach to the current proposal to include the "Telecommunications" sector within "Others". In this respect, we also note that both the IT and "Telecommunications" sectors, along with "Financials", have currently achieved a coverage of over 80% of the market capitalization of those sectors, as indicated at page 6 of the CP.

#### ***Proposal 2 – Increase the number of constituents to between 65 and 80***

- This proposal is reasonable, given the aim to increase the coverage and representative nature of the different sectors of the Hang Seng Index ("HSI") and so of the index as a whole.

#### ***Proposal 3 – Remove the Minimum Listing History Requirement for Eligible Candidates***

- We have reservations about this proposal. In our view, it would be more prudent to adopt a "wait-and-see" approach before including a newly-listed stock into the HSI. Prima facie, there is often a good deal of speculative buying around the time of a popular new listing. Furthermore, as HSI is the index representing the Hong Kong market, once a large newly-listed issuer is admitted into the index from the outset, all passive investment funds, including those in Mandatory Provident Fund Schemes ("MPF"), and other retirement funds, among others, that track the HSI, would have to buy the stock. This could, in turn, result in the share price of the newly-listed issuer becoming even more speculative and volatile, subjecting investors, many of whom would be retail investors, and employees investing indirectly in the newly-listed issuer via their MPF/ retirement schemes, to increased risk.

- Therefore, we suggest that the Hang Seng Indexes Company Limited (“HSIC”) should retain a requirement for a trading history of, e.g., one year post listing, under normal circumstances, or, as a minimum, consider admitting a newly-listed stock only after a reasonable stabilisation period.
- We are not aware that any other major overseas stock index providers, such as Dow Jones, Standard & Poor’s, FTSE Russell and MSCI, allow inclusion of a newly-listed stock into the relevant indices on its first day of listing as a norm, although they may have fast-track admission in exceptional cases. We note, for example, that the NASDAQ 100 index requires a company to have been listed on the broader exchange, in general, for at least two years before being admitted into the index.
- We would suggest that HSIC provide further justification for removing the minimum listing history requirement altogether, besides the market capitalization comparison in Exhibit 9. In this connection, it would be helpful if HSIC could provide further information on the minimum listing/ trading history requirements for admission into other recognized overseas stock indices.

**Proposal 4: Maintain a certain number of constituents classified as Hong Kong Companies (around 25 under the current situation) to sustain the level of representation of Hong Kong portion in the index**

- We can see the argument that, despite the increasing proportion of overall market capitalization represented by non-Hong Kong companies, the HSI should maintain a certain level of representation of the “local company” segment, given the HSI’s status as the main benchmark of the Hong Kong stock market. Without this, the HSI and the Hang Seng China Enterprises Index may become increasingly indistinguishable from one another.

**Proposal 5: Lower the weighting cap of individual constituent from 10% to 8%; and align the weighting cap of WVR and/or secondary listed constituents with that of other HSI constituents, i.e. 8%.**

- In general, we have no strong view on lowering the weighting cap of individual constituents from 10% to 8%, which could help to increase diversification, as suggested.
- On the proposal of aligning the weighting cap of weighted voting right (“WVR”) and/ or secondary-listed constituents with that of other HSI constituents to 8%, as we previously commented in our submission on the HSIC’s consultation paper on the positioning and composition of the HSI and matters related to the Hang Seng China Enterprises Index, issued in January 2020, some members of the CFAP favour limiting the proportion of companies with WVRs and secondary listings in the HSI. From an investor protection perspective, keeping the weighting cap of WVR and/ or secondary listed constituents at 5% may be advisable. This should be considered, in particular, because the MPF and some other retirement schemes funds track the HSI, which could result in employees and retail investors investing in WVRs and secondary listed constituents by default, through their MPF/ retirement schemes or other passive investments, regardless of any concerns that they may have personally about the corporate governance of such companies or, in the case of secondary listings, the fact that they are subject to different listing rules and regulations in the jurisdiction where they have a primary listing.

**Implementation of the Enhanced Methodology – As the expected turnover is deemed to be manageable, the HSIC proposes to implement the transition to the enhanced methodology within one year.**

- We have no particular comment on this suggestion.

#### **Other Dimensions for HSI Constituent Selection**

- Looking ahead, given the increasing attention being given to, and the importance of, sustainability factors, another dimension that could be taken into consideration for HSI constituent selection could be environmental, social and governance or ESG performance.

*Hong Kong Institute of CPAs  
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