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

By email (research@hsi.com.hk)

15 September 2026

Our ref: C/CFC, M142676

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

Dear Sirs,

Re: Response to Hang Seng Indexes Company Limited Consultation Paper on Proposed Changes to the Hang Seng TECH Index ("HSTECH")

The Corporate Finance Committee ("CFC") of Hong Kong Institute of Certified Public Accountants ("the Institute" or "We") has reviewed the Consultation Paper on Proposed Changes to the HSTECH issued by the Hang Seng Indexes Company Limited ("HSIC"), and would like to submit its views, as set out below, in response to the invitation for written comments on the proposal.

CFC members generally support HSIC's objective of strengthening the market representation and ensure HSTECH remains a board and future-ready benchmark for Hong Kong ("HK") technology stocks. Our comments below focus on selected proposals where we believe further clarification or refinement would help to enhance the overall effectiveness of the reforms.

Proposed Changes 1 – Expand Theme Coverage

Q1A. Removal of Sector Requirements	Do you agree with the proposal to remove the Sector Requirements from HSTECH eligibility, such that eligibility is determined primarily by theme/sub-theme alignment?
Q1B. Refinement of the six Tech Themes	Do you agree with the proposal to refine the six Tech Themes as i) Digital Platforms & Solutions, ii) Artificial Intelligence, iii) Advanced Hardware, iv) Robotics & Automation, v) Cloud and vi) Frontier Technology?
Q1C. Expansion of Tech Sub-Themes (16-->24)	Do you agree with the proposal to expand the relevant Tech Sub-Themes from 16 to 24 to align with the refined Tech Themes?

We support the proposal to remove sector requirements from the current HSTECH constituent selection framework.

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Technology has increasingly become a cross-cutting enabler that permeates virtually every industry. As technological innovation continues to reshape business models across sectors, the traditional sector-based classification approach may become less effective in identifying companies that are genuinely driving technological advancement. The proposed change would provide greater flexibility for HSTECH to capture technology leaders and innovators irrespective of their conventional industry classification.

We agree with the proposed refinement of the six technology themes and expansion of the technology sub-themes. These enhancements should help ensure that the HSTECH remains aligned with the rapidly evolving technology landscape and continues to capture the breadth of innovation-driven enterprises emerging in China and Hong Kong.

We also note that HSIC has considered strategic technology sectors identified under Hong Kong's innovation and technology development priorities and the National 15th Five-Year Plan, including brain-computer interfaces (BCI), quantum technology, biomanufacturing, advanced semiconductors, future energy and other frontier technologies that are expected to play an increasingly important role in future economic development and industrial transformation.

Proposed Changes 2 – Introduce a Two-Stream Selection Mechanism

Q2A. Eligible universe	Do you agree with the proposal to confine HSTECH's eligible universe to the Hang Seng Composite LargeCap & MidCap Index?
Q2B. Two-stream selection mechanism	Do you agree with the proposal to adopt a two-stream selection mechanism – MV Stream (primary) and Sales Growth Stream (complementary)?
Q2C. Expansion of constituent number (30-->50)	Do you agree with expanding the HSTECH from 30 to 50 constituents and selecting the top 40 constituents by MV rank and remaining 10 constituents by Sales Growth rank?

We agree with the proposal and believe it is important to maintain alignment with the original index framework, which was designed to include companies meeting established investability requirements. Restricting the eligible universe to constituents of the Hang Seng Composite LargeCap & MidCap Index would help preserve the Index's investability, liquidity and representativeness.

We support the proposed two-stream selection mechanism, comprising the MV Stream as the primary route and the Sales Growth Stream as a complementary route. The additional Sales Growth Stream would enable high-growth and innovative companies that may not yet have achieved a sufficient market capitalisation to be considered for inclusion, thereby enhancing the Index's ability to capture emerging technology leaders.

Nevertheless, we recommend that HSIC considers to provide clearer guidance on the definition of "Sales" used for the Sales Growth Stream. In particular, consideration should be given to placing greater emphasis on recurring revenue derived from a company's core operations, as growth driven by one-off or non-recurring transactions may not accurately reflect its underlying business performance, growth trajectory or long-term sustainability.

In addition, we suggest that sales growth be assessed over a longer measurement period, or through a multi-year growth assessment, rather than relying solely on growth in the preceding 12 months. This approach would reduce the weight placed on short-term growth and would provide a more balanced assessment of a company's performance, help distinguish sustainable growth from temporary fluctuations, and enhance the robustness, investability and representativeness of index constituents selected through this stream.

We welcome the proposal to expand the number of constituents from 30 to 50, which should enhance market breadth and reduce concentration in a relatively small group of large-cap technology companies.

Question 3 – Do you agree with implementing the proposed changes in the December 2026 index rebalancing?

We agree to the proposed changes to be implemented in the December 2026 index rebalancing without further comment.

Question 4 – Do you have any additional suggestions for HSTECH?

We acknowledge that the proposed inclusion of additional high-growth technology companies through the Sales Growth Stream may broaden the Index's exposure to innovative sectors and emerging technology leaders. However, such companies may also exhibit greater earnings uncertainty, valuation risk and share-price volatility compared with more established constituents.

Given that the revised methodology may result in a different risk-return profile for the HSTECH, we encourage HSIC to strengthen investor education and transparency around the proposed changes. Clear disclosure of the objectives, enhanced disclosure of the selection framework, constituent characteristics and associated investment risks would help promote investor understanding and support informed decision-making, particularly among retail investors.

In addition, we encourage HSIC to consider ESG factors as part of the index methodology and constituent weighting framework. Recognising companies with strong ESG performance may support sustainable value creation, enhance risk management and align the Index with evolving investor expectations.

Yours faithfully,

Stephen Law, JP
President
Hong Kong Institute of Certified Public Accountants