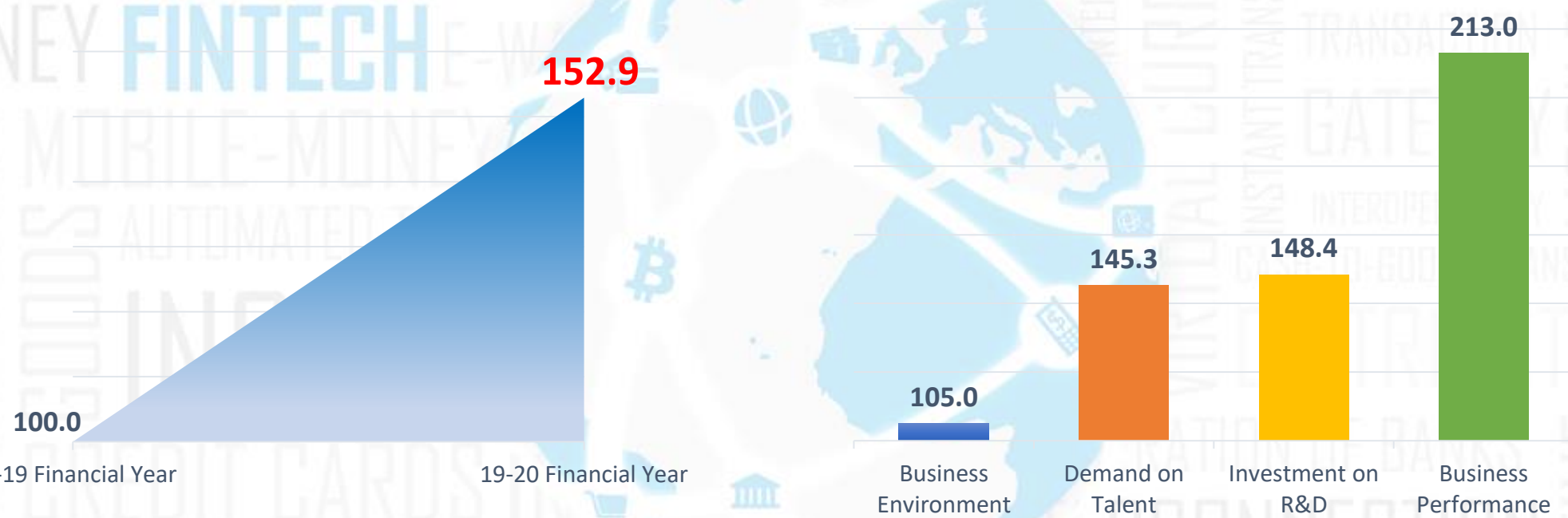




HKU FinTech Index Series



Hong Kong FinTech Growth Index

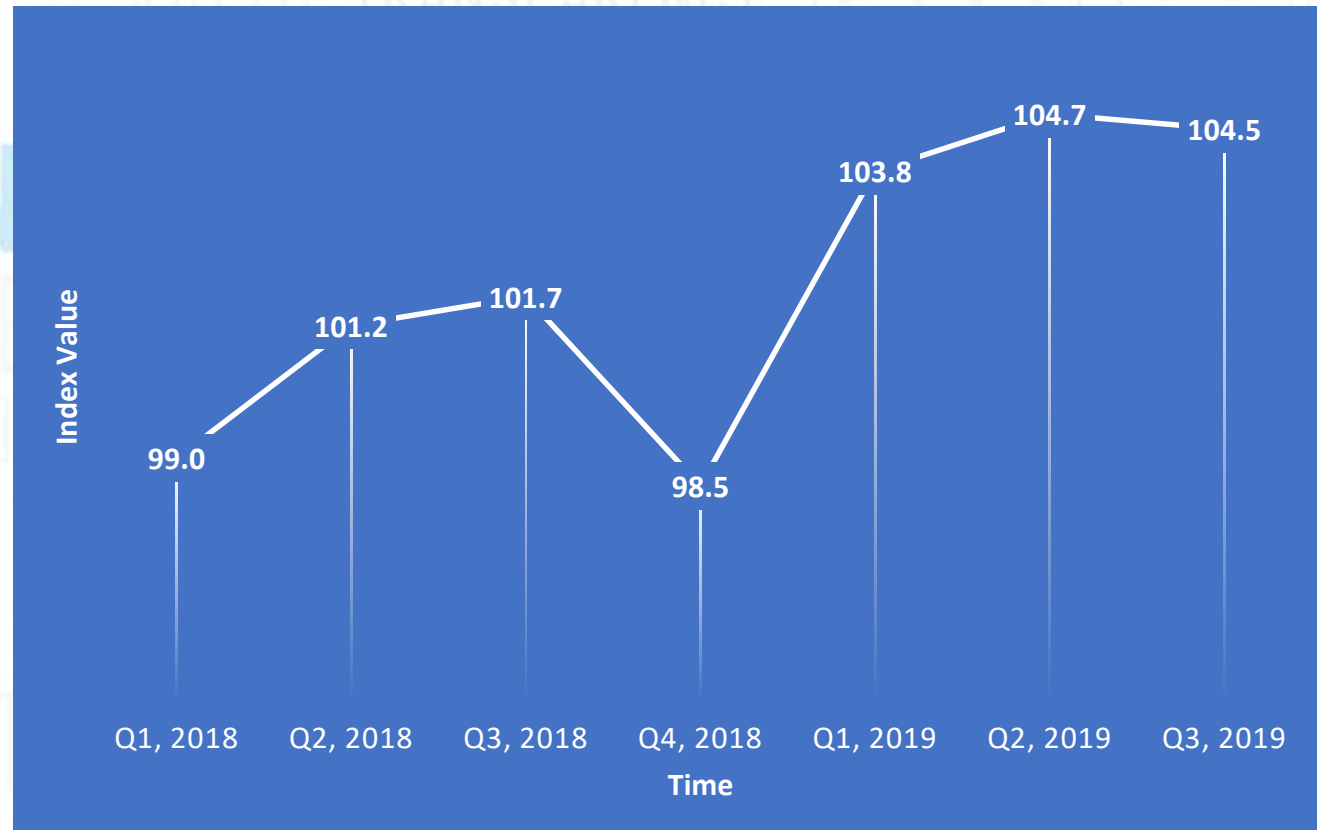




HKU FinTech Index Series



Hong Kong FinTech Buzz Index





Report of the HKU FinTech Index Series

Publication date: November 8, 2019



Sponsored by



Suoxinda Data Technology Co. Ltd

Background



- The HKU FinTech Index Series is a research project initiated by HKU's technology transfer company - Versitech, and led by Dr Philip Yu of the Department of Statistics and Actuarial Science, Faculty of Science, HKU.
- It is a 5-year project sponsored by **Suoxinda Data Technology Co. Ltd**, a reputable market player in the big data and AI industry in the PRC.



PREFACE

The HKU FinTech Index Series aims to provide indicators on the growth and development of the FinTech industry in Hong Kong.

Two indices are launched in the first phase - **HK FinTech Growth Index** and the **HK FinTech Buzz Index**.

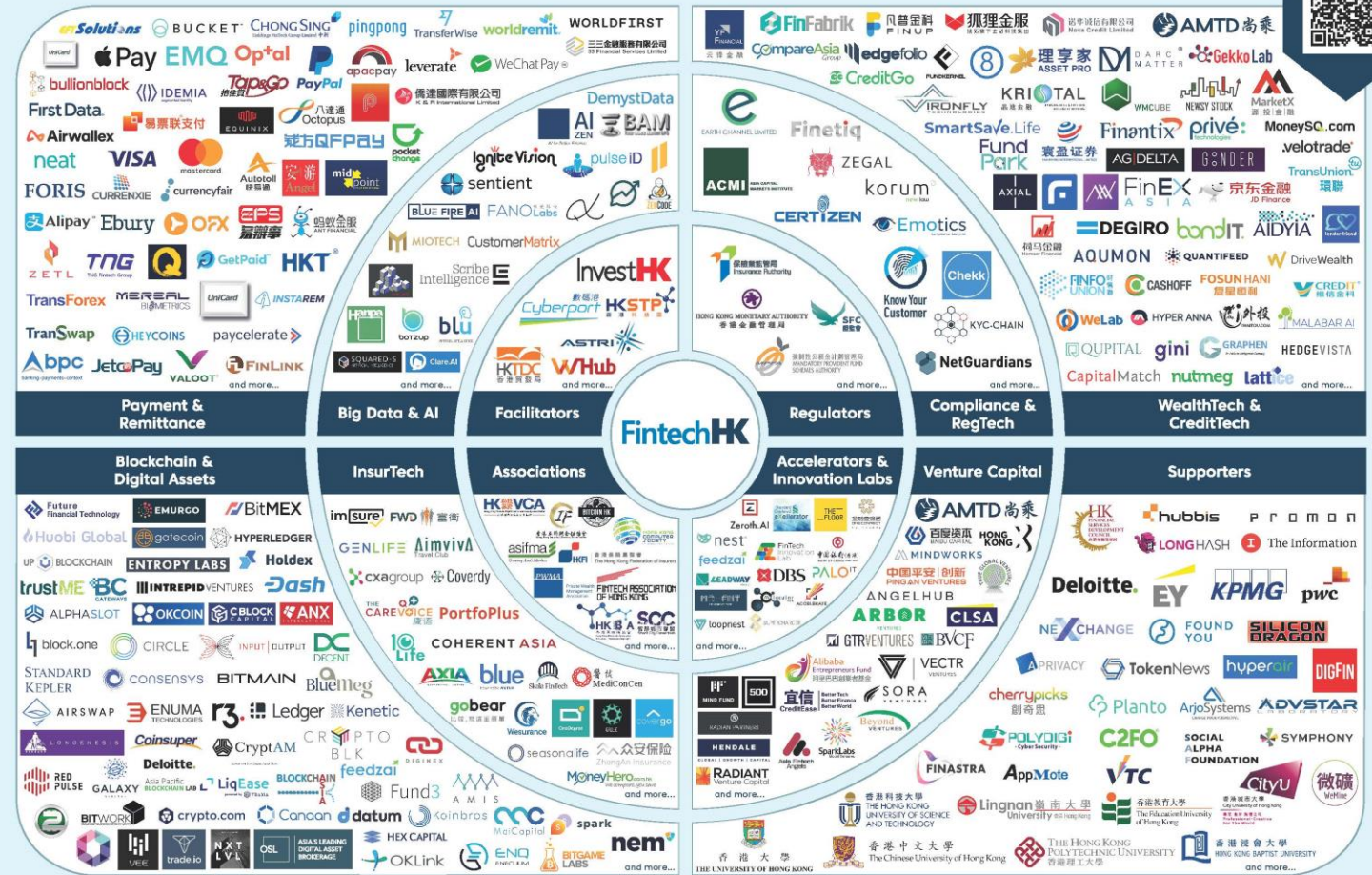
Companies surveyed are selected from six FinTech sectors:

- InsurTech;
- WealthTech & CreditTech;
- Blockchain & Cryptocurrency;
- E-payment & digital banking;
- RegTech & Cybersecurity; and
- Other related business such as AI and Big Data.

InvestHK

Hong Kong FinTech 2018


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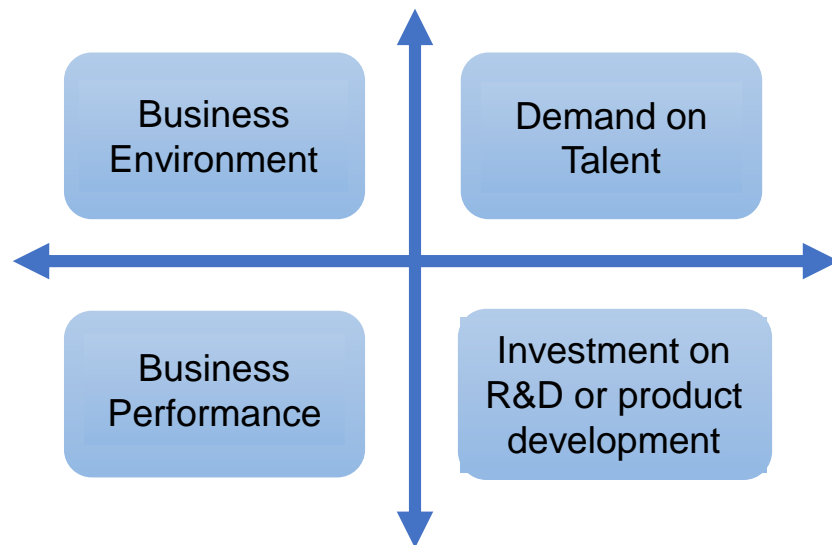


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HKU FinTech Index Series

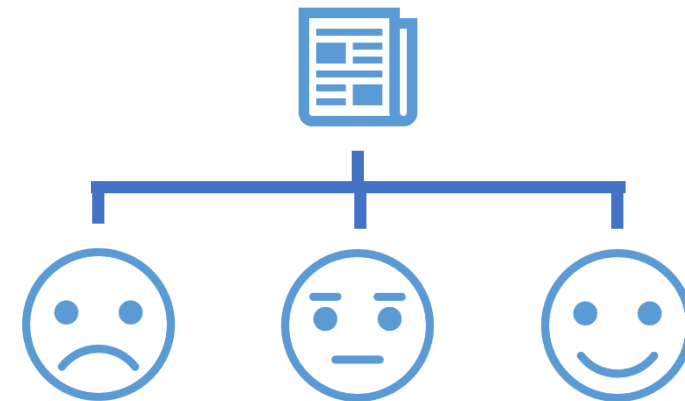
HK FinTech Growth Index

- FGI is a yearly index reflecting Hong Kong Fintech sector's forecast of the market situation in the coming year and an assessment of the situation in the current year.








HK FinTech Buzz Index

- The HK FinTech Buzz Index is a quarterly index representing a quantified sentiment of local FinTech-related news articles in local press in the past three months



Methodology - FGI

HK FinTech Growth Index





Partners		49 partnered companies
Data collection method		Self-administrated questionnaire
Base period		April 1, 2018 – March 31, 2019
Base value		100
Published Frequency		Yearly

Partnered companies

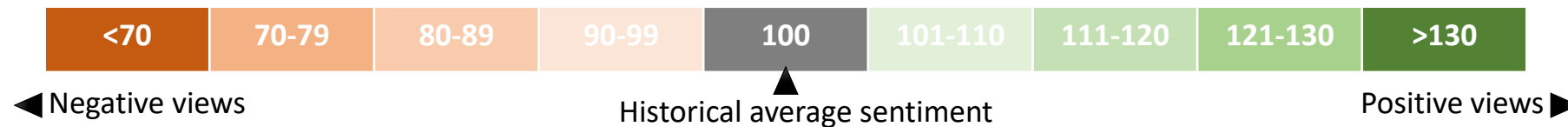


Methodology – FBI

HK FinTech Buzz Index

Data source		WiseNews
Date period		2016 - 2017
Base value		100
Published Frequency		Quarterly

Methodology – FBI



All Chinese news articles related to Hong Kong and FinTech are fed into the **AI algorithm** that analyse the words and how they are used.

The AI algorithm is fine tuned by training it against **thousands of labelled news articles** that have been analysed by humans.

This analysis allows us to assign **a sentiment score** to each new articles.

The index score starts from the value of 100 points, which is the average sentiment of the base period between 2016 and 2017.

To interpret the index value, the key is that it is the relative difference between one index value and another.

Key Statistics

HK FinTech Growth Index

152.9



60.5% respondents considered **customer acquisition, talent acquisition and funding** as their major challenges in operating a FinTech business.



68.4% respondents considered **programming skills** are essential requirements for new hires.

HK FinTech Buzz Index 2019Q1

103.8

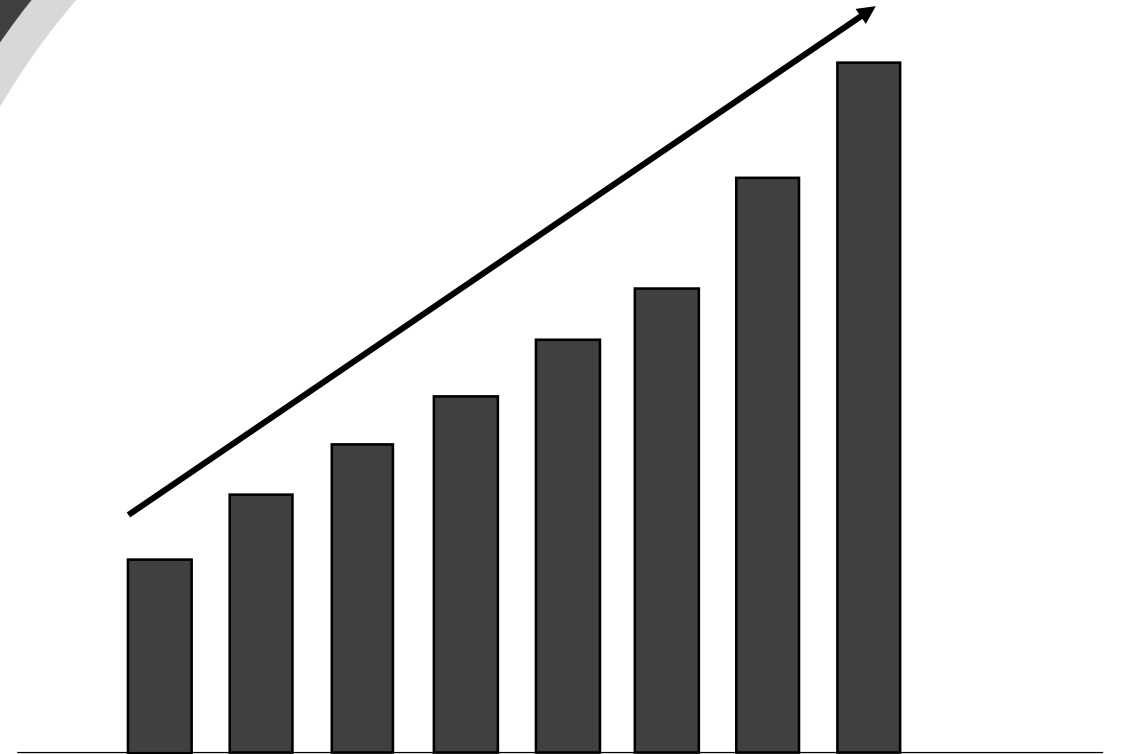
HK FinTech Buzz Index 2019Q2

104.7

HK FinTech Buzz Index 2019Q3

104.5

HK FinTech Growth Index



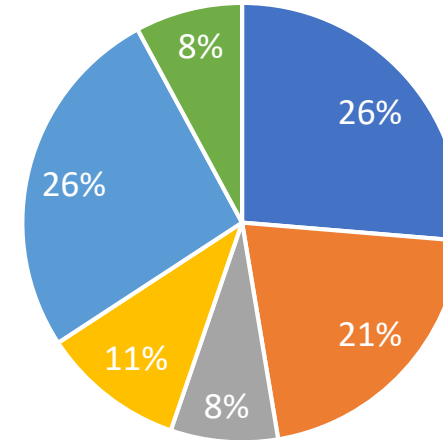
FinTech Growth Survey

According to InvestHK's 2018 report, the three most competitive FinTech business sectors in Hong Kong are **Payment & Remittance, Blockchain & Digital Asset** and **WealthTech & CreditTech**.

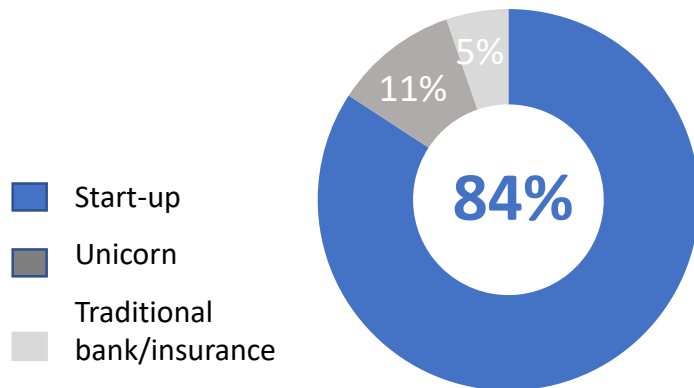
Completed questionnaires for 38 partnered companies

Accordingly, 26% of the companies selected for the yearly survey are E-payment & Digital Banking and Blockchain & Cryptocurrency related, and 21% WealthTech & CreditTech related.

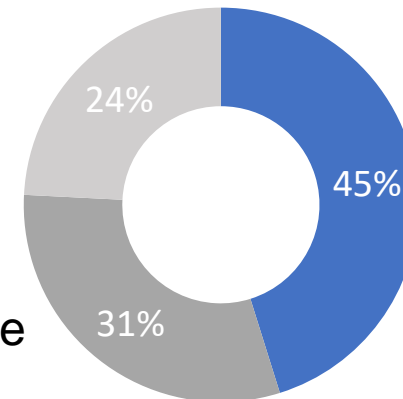
FinTech Business Sectors



- E-payment and digital banking
- WealthTech & CreditTech
- InsurTech
- RegTech & Cybersecurity
- Blockchain & Cryptocurrency
- Other related business



84% are **start-ups**.



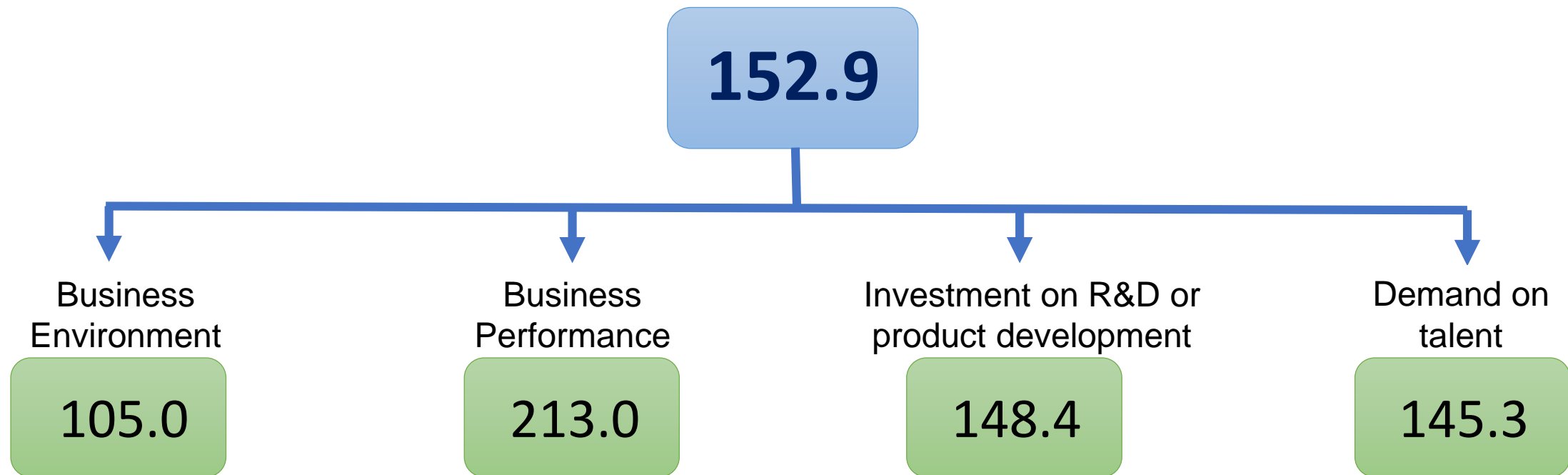
45% companies have adopted **B2B model**.

- Business-to-Business (B2B)
- Business-to-business-to-customer (B2B2C)
- Business-to-customer (B2C)

Sub-Indices of FGI

for 2019-2020 financial year

HK FinTech Growth Index



Base year: 2018-2019 financial year

FinTech Business Environment

105.0

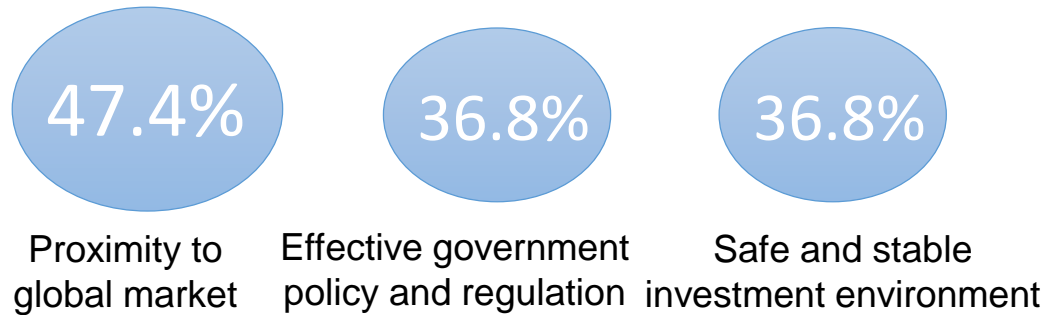


- External Factors

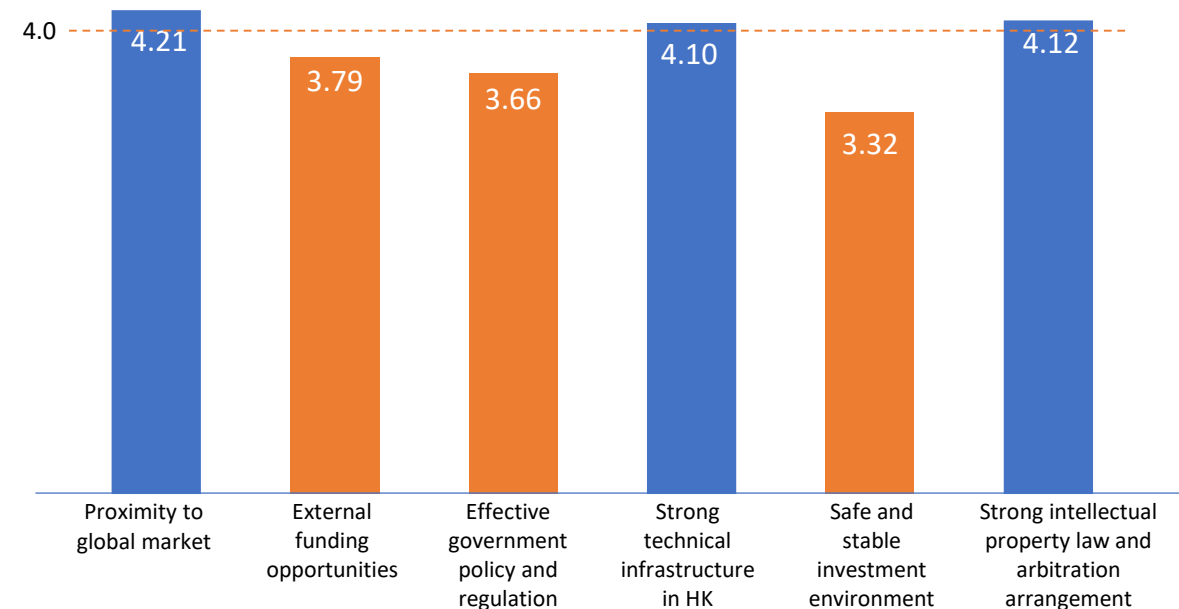
- The business environment, measured by internal and external factors affecting FinTech business operations and development, grew by a modest 5% in the same period.
- The relatively lower average rating was recorded on external factors such as **investment environment**, **government policy and regulations**.

Top 3 important external factors

Please rank the underlying external factors that support the FinTech business operation of your company in Hong Kong according to their importance?



Average rating of improvement level on external factors



FinTech Business Environment

105.0



- Internal Factors

- There is a positive effect of the internal factors by the companies in terms of **funding** and other capital allocations

Top 2 important internal factors

Please rank the underlying internal factors that support the FinTech business operation of your company in Hong Kong according to their importance?

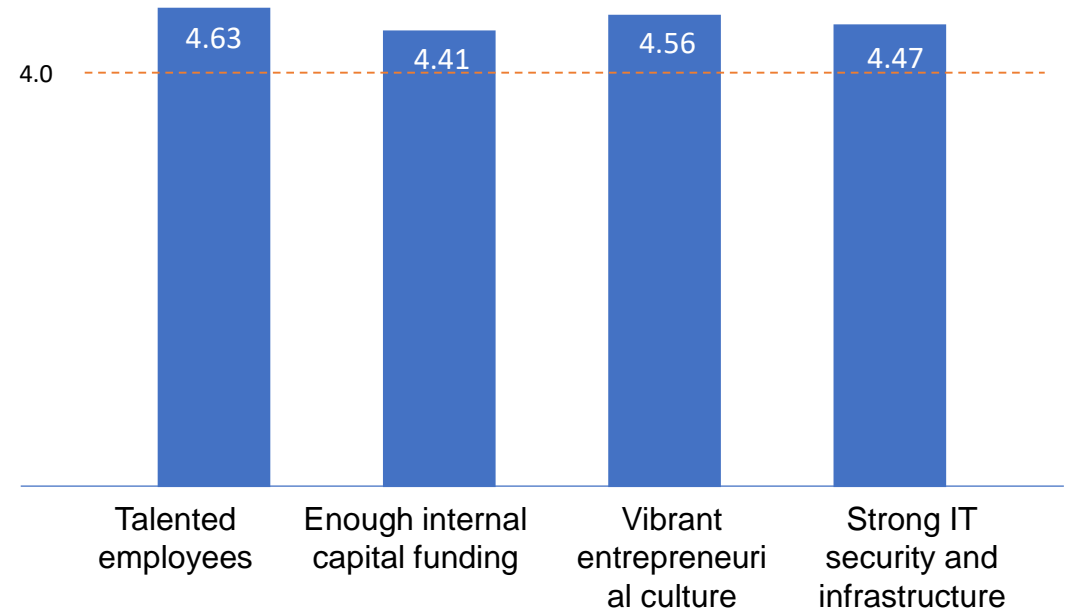
73.7%

Talented employees

68.4%

Enough internal capital funding

Average rating of improvement level on internal factors



FinTech Business Performance

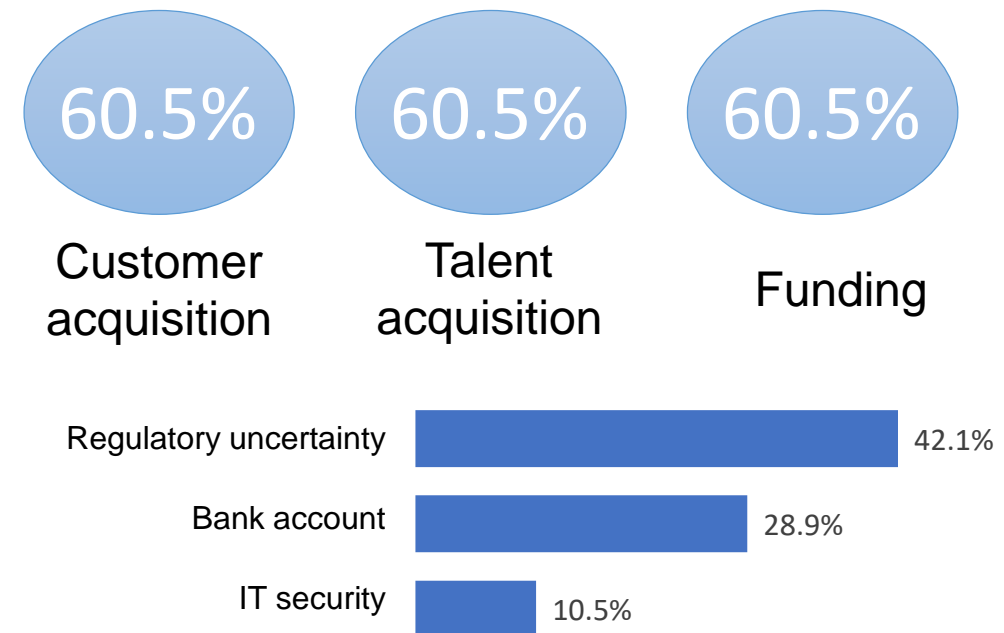
213.0



- The anticipated growth of business performance, indicated by the FinTech **customer adoption rate** grew by 113% as compared to the 2018-19 financial year, representing an **optimistic outlook** of the business development by the companies.
- The results are consistent with the EY FinTech Adoption Index#. HK's FinTech adoption rate was 32% in 2017 and 67% in 2019, an increase of 109%.
- FinTech companies have anticipated a strong business performance in 2020, there are however concerns whether they can keep increasing their **customer acquisition**, **talent acquisition** as well as their **funding**.

Top 3 challenges faced by FinTech companies

What is/are the **challenge(s)** of the FinTech business operation in your company?

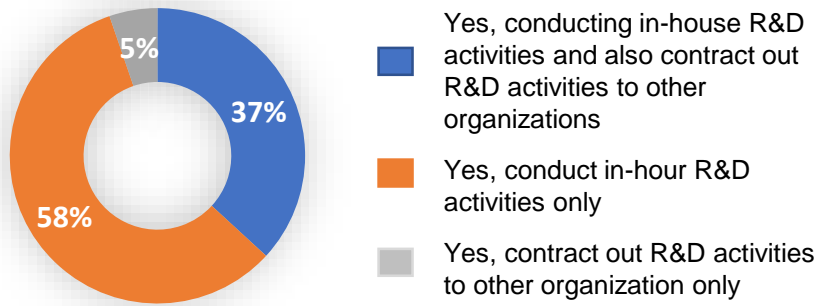


Investment on R&D/product development

148.4



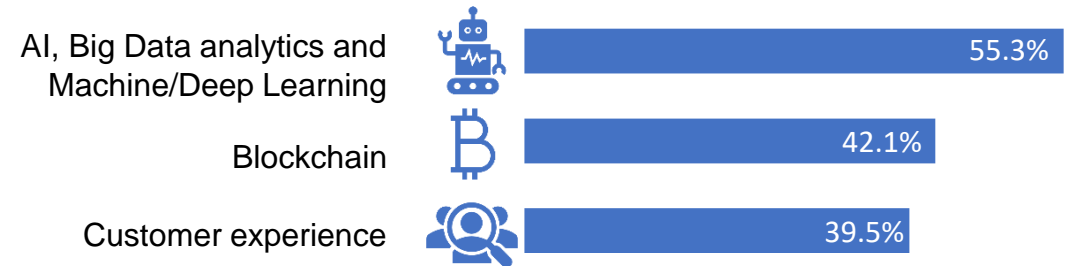
- A moderate 48.4% growth in R&D investment or product development anticipated for 2020. The sub-index measures the anticipated growth for the upcoming financial year as compared with the actual growth in the current year.



- Fundraising by Hong Kong FinTech companies rose to US\$152 million in the first half of 2019, compared with US\$23 million a year ago[#].

- R&D investment and product development by the companies mainly in the areas of **AI, big data analytics and machines/deep learning, Blockchain** and **Customer experience**.

Top 3 areas for R&D



Other areas for R&D	Percentage
Compliance	28.9%
Mobile solutions	26.3%
Cybersecurity	21.1%
Revamp of IT infrastructure	15.8%
Payments/ transaction banking	15.8%
Cloud computing	15.8%

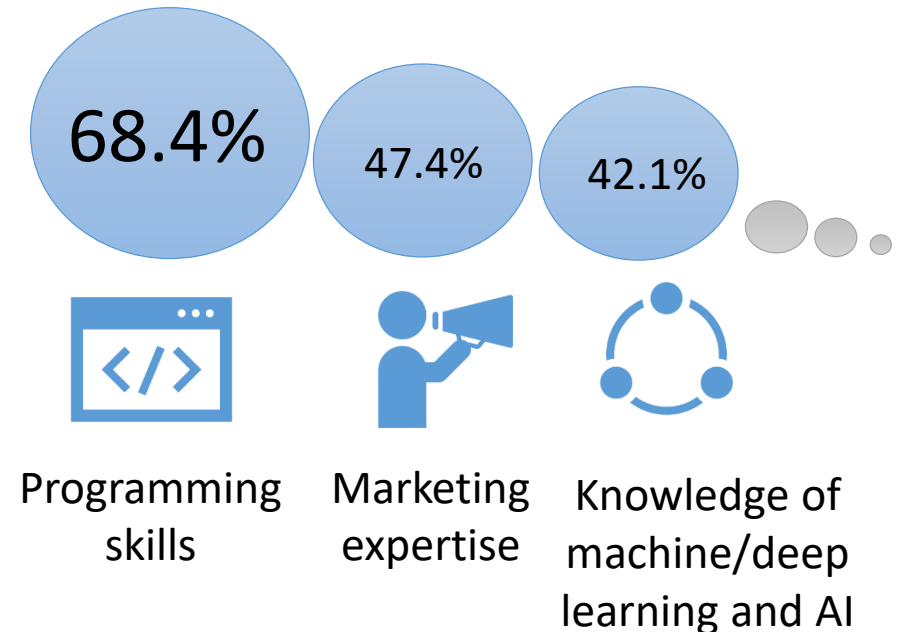
Demand on Talent

145.3

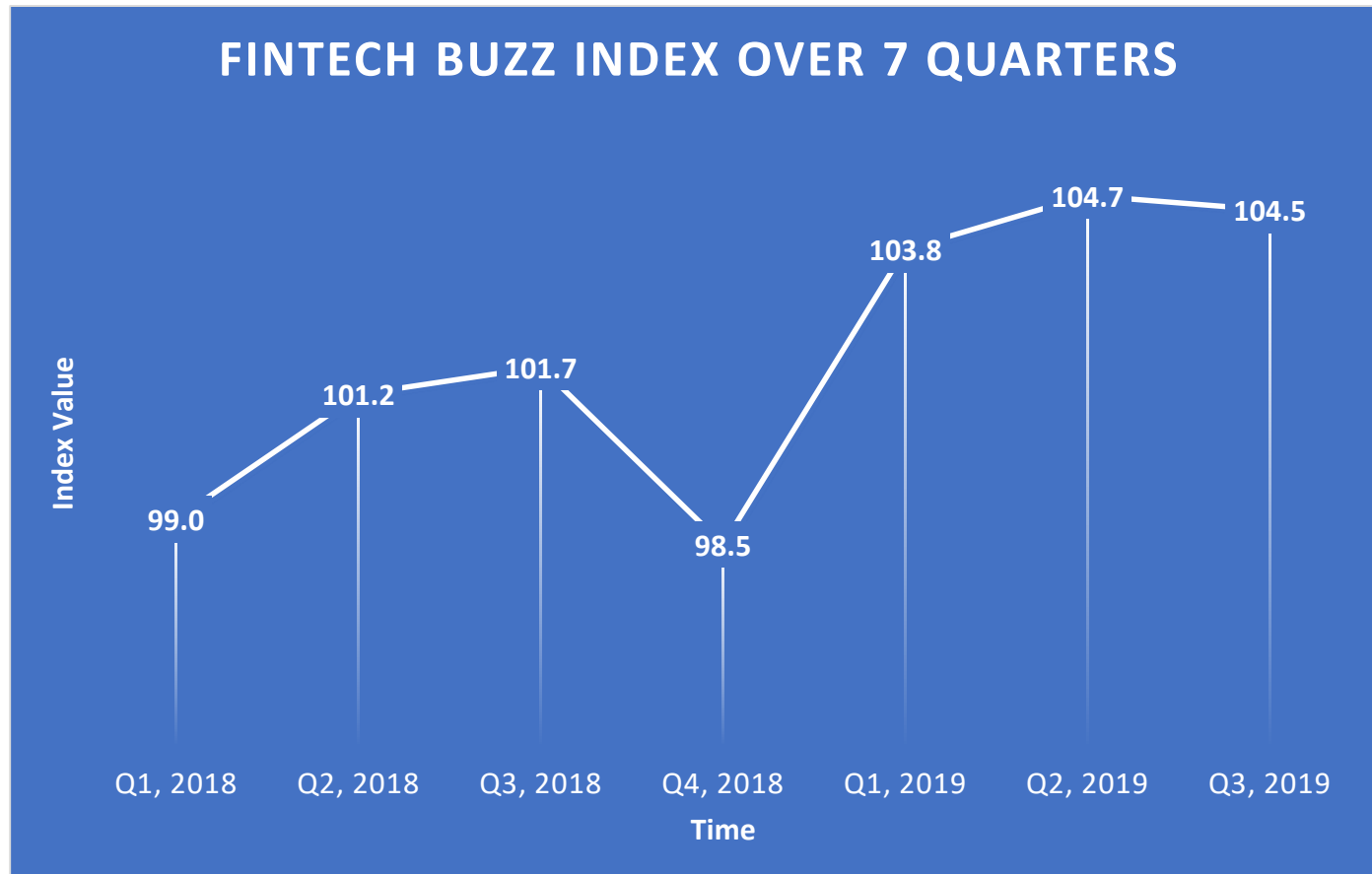
- A moderate 45.3% growth anticipated for Demand on Talent in 2020.
- To equip new generation with the skill sets:
 - ✓ The HKMA launched the upgraded version of the FinTech Career Accelerator Scheme (“FCAS”) in 2018
 - ✓ Six local universities have rolled out bachelor’s or master’s degree programmes related to FinTech

Top 3 required skills for new hires

What are the required skills for the new hires in the current financial year (04/2019 - 03/2020)?



HKU FinTech Buzz Index 2018Q1- 2019Q3

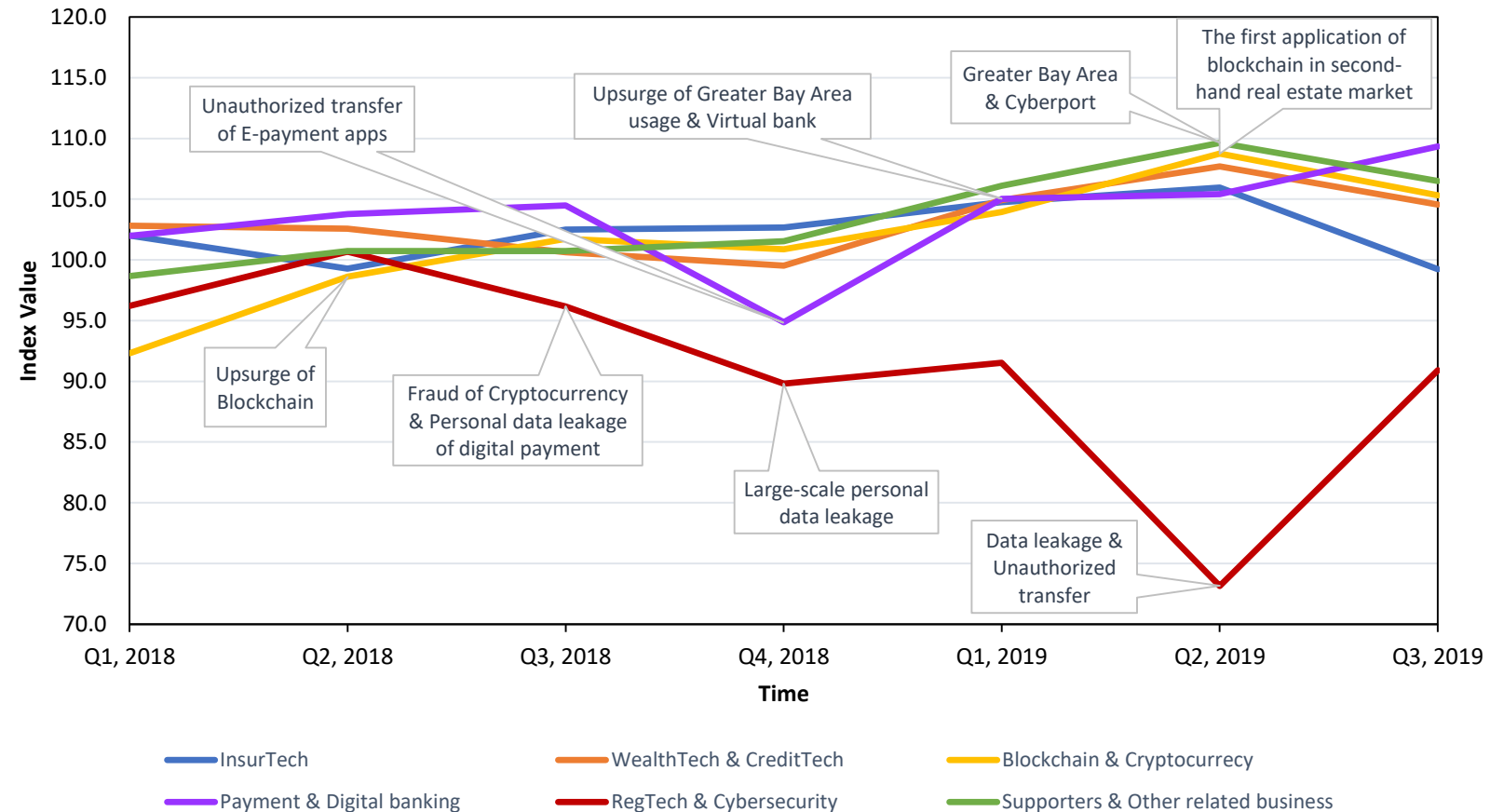


- HK FinTech Buzz Index in 2019Q3 dropped by 0.19% to 104.5 compared with the last quarter, mainly due to the negative impact of **US-China trade tension** and **unstable political environment** in Hong Kong.
- The sudden drop in 2018 Q4 was mainly caused by the **data leakage of the payment** in RegTech & Cybersecurity sector.

Sectoral Indices for 2018Q1 – 2019Q3

- The **RegTech & Cybersecurity** sector has a lower index value as compared with other sectors
 - Owing to negative news on **cybersecurity** which drew wide media coverages.
- More encouraging in the sector **Payment & Digital Banking**
 - Owing to positive news including **virtual banking licensing** and **new fast payment methods** launched.

Quarterly HK FinTech Buzz Index over Six Sectors



Thank you !