



FINTECH
CONSULT



FinTech in Hong Kong


**RESEARCH REPORT
2021**

Executive Summary

1. Most of Hong Kong FinTechs are located on Hong Kong Island, with state-owned **Cyberport** as a major hub. A second FinTech hub is the **Hong Kong Science Park** (HKTSP) in the N.T.
2. FinTech growth peaked 2016 to 2018. Despite the COVID-19 pandemic, 2020 was a record year for funding with **US\$425 millions**, up from about US\$350-360 millions p.a. in 2017 to 2019. The average size of funding rounds increased from US\$11-12 millions in 2017/2018 to US\$15-16 millions in 2019/2020, indicating a maturing ecosystem with an increasing number of scale-ups.
3. **Blockchain, payments, and data analysis/AI** are the three leading verticals. 2/3 of Hong Kong FinTechs are in **B2B**.
4. Government support for FinTechs is strong and well orchestrated. Besides the state-owned hubs with their targeted support programs, the Hong Kong Monetary Authority has set up a **Fintech Supervisory Sandbox** and all three authorities have dedicated FinTech teams in place.
5. After years of FinTech infrastructure development, the focus is now on **Open Banking, virtual banks** and insurances, and integration with the **Greater Bay Area**. The new **Wealth Management Connect** scheme will provide opportunities for incumbents and FinTechs.
6. Hong Kong has **four FinTech unicorns** with BitMex, Airwallex, WeLab, and TNG. The eight virtual banks that launched in 2020 have strong backing by leading incumbents and BigTechs. Increased competition will accelerate the modernization of highly concentrated banking industry in Hong Kong, bringing benefits to retail clients and SMEs.

Table of Contents

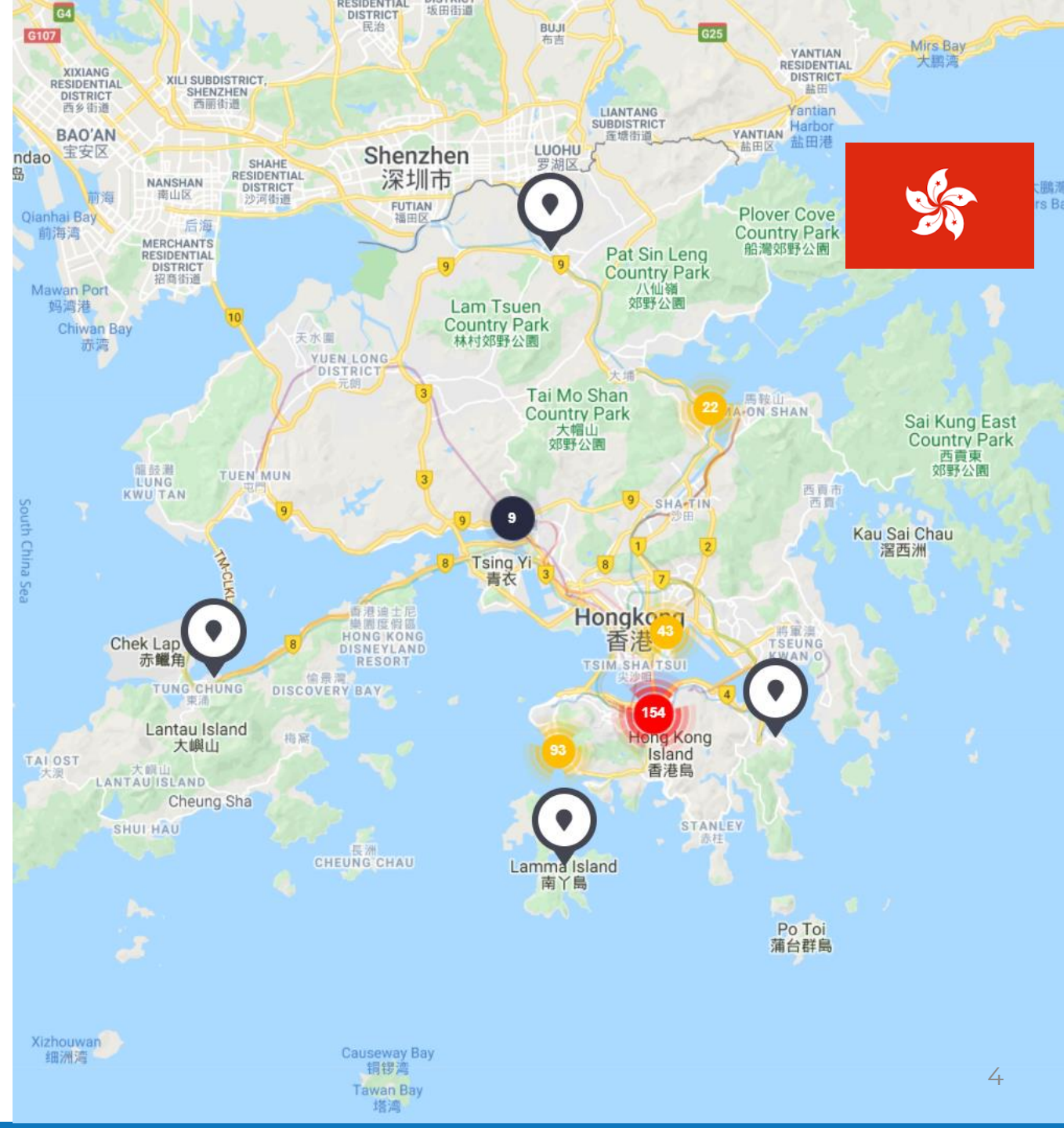
Contents	Slide
1 HONG KONG FINTECH MAP: GROWTH, FUNDING, DIVERSITY	4
2 MAJOR HUBS: HONG KONG SCIENCE PARK, INNOCENTRE, CYBERPORT	10
3 GOVERNMENT SUPPORT: PUBLIC ACTORS AND ACTIVITIES, DEVELOPMENT PLAN	19
4 HONG KONG UNICORNS, LISTED COMPANIES, OUR WATCHLIST	23
5 RECENT DEVELOPMENTS: OPEN BANKING, VIRTUAL BANKS, WEALTH MGMT CONNECT	26
6 MARKET ENTRY, TAX REGIME	33



1 Hong Kong Fintech Map

Our database comprises 331 Hong Kong FinTechs, whereof 6 are closed. The remaining 325 FinTechs are shown on our map.

Most of them are located on Hong Kong Island (227), with Cyberport as a major hub, hosting 76 FinTechs.

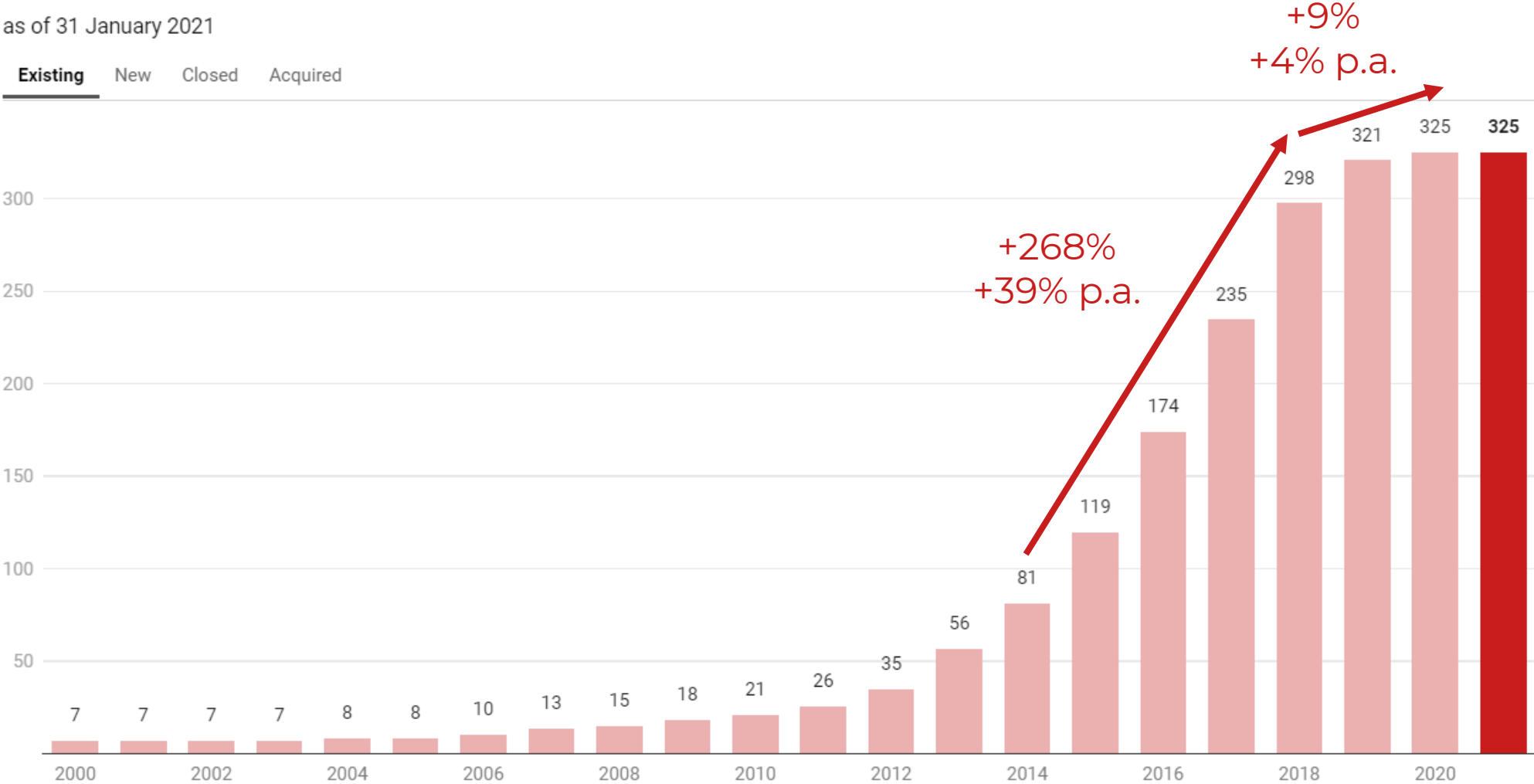


Growth (1/2)

FinTech Companies in Hong Kong

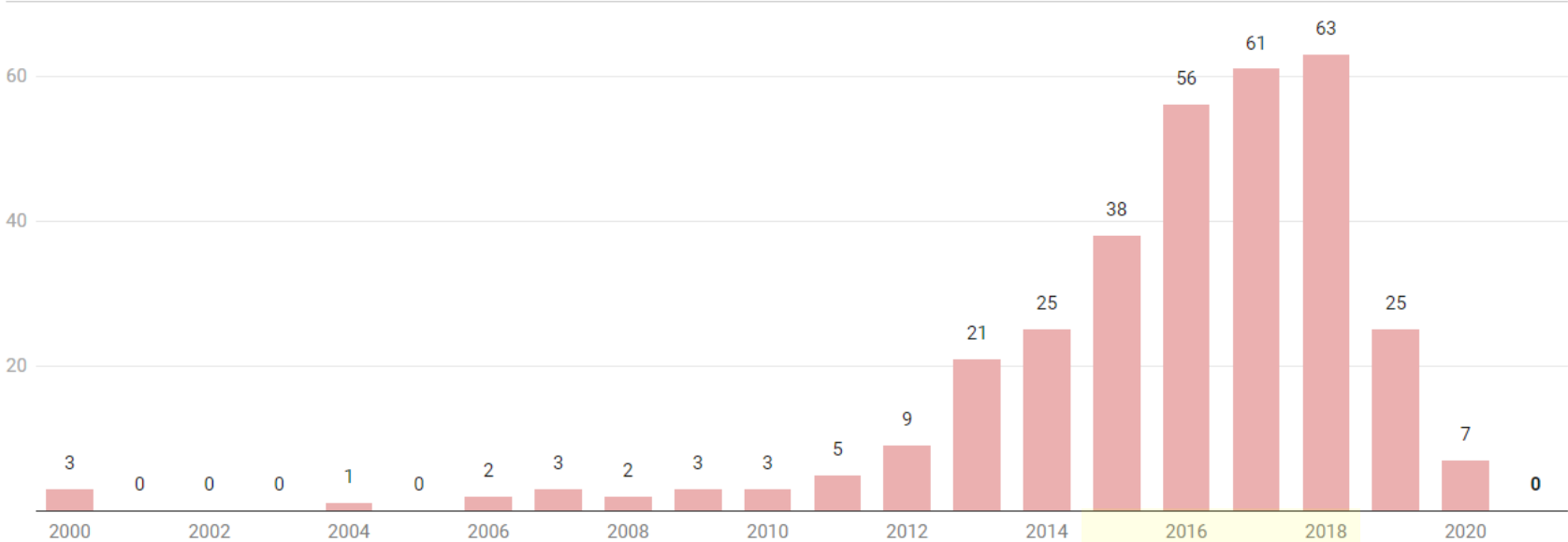
as of 31 January 2021

Existing New Closed Acquired



Growth (2/2)

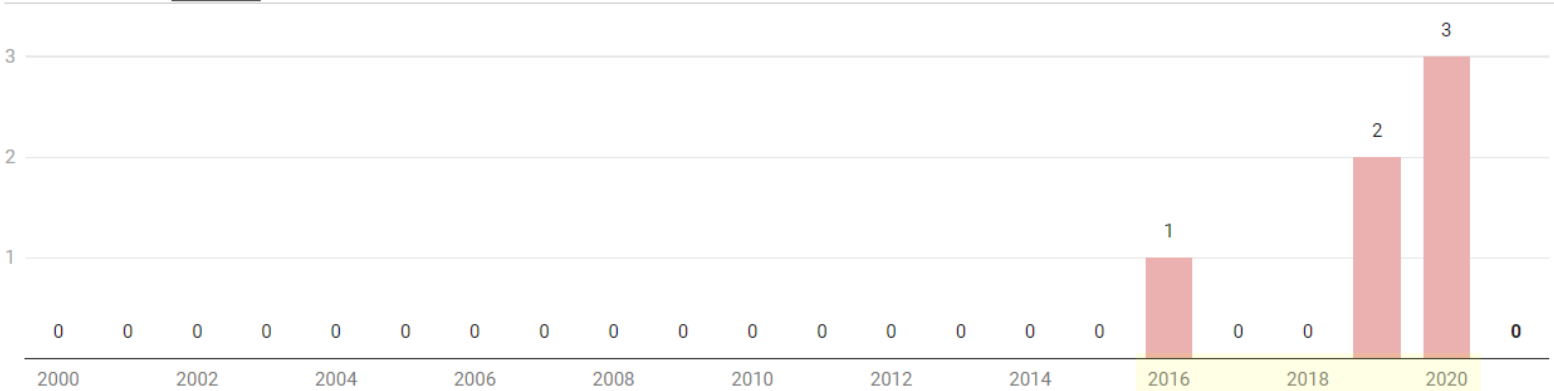
Existing **New** Closed Acquired



The strongest period of growth was between 2015 and 2018, with 218 FinTechs entering the market.

Just a few FinTechs have closed their businesses since 2016.

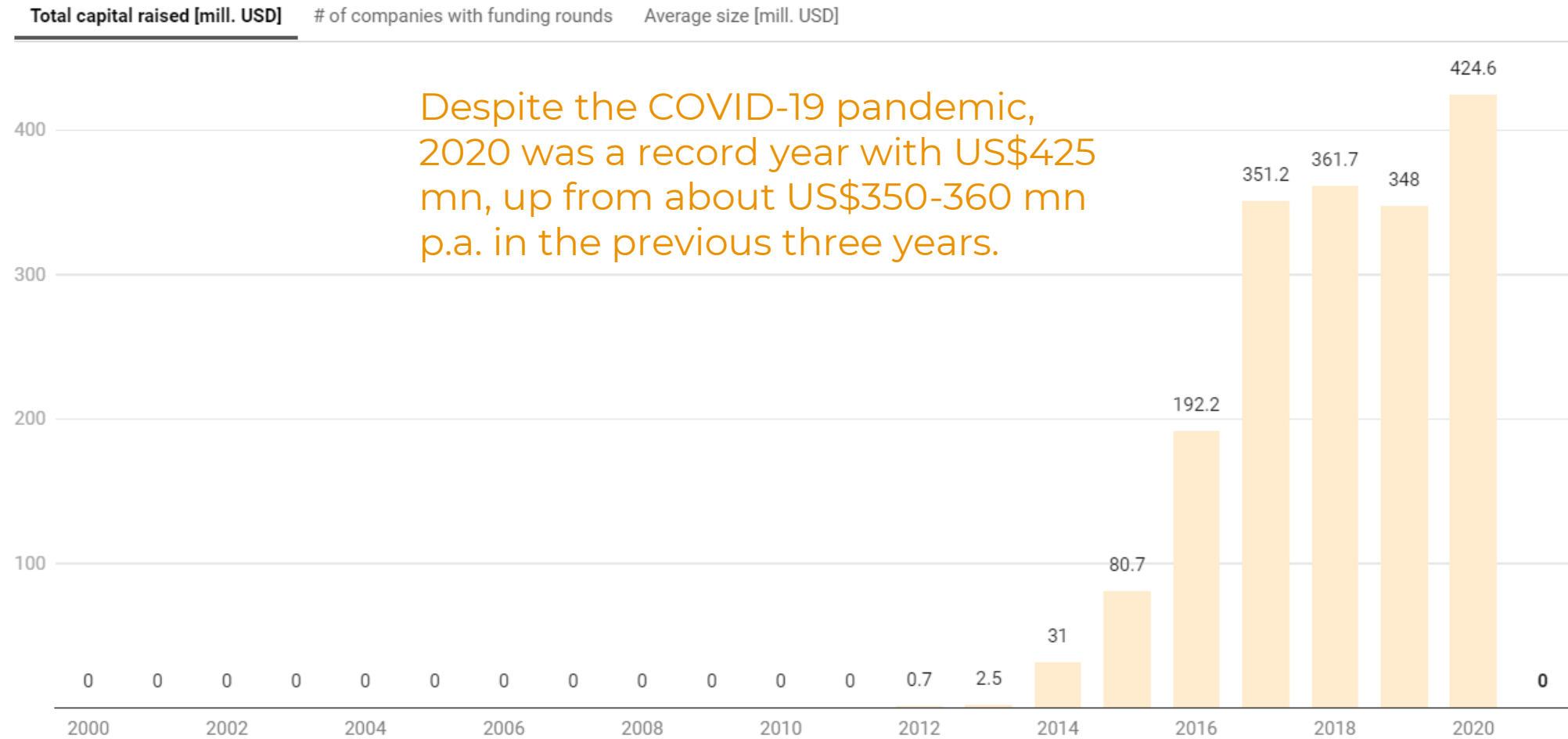
Existing New **Closed** Acquired



Funding Rounds (1/2)

Funding Rounds of Hong Kong FinTech Companies

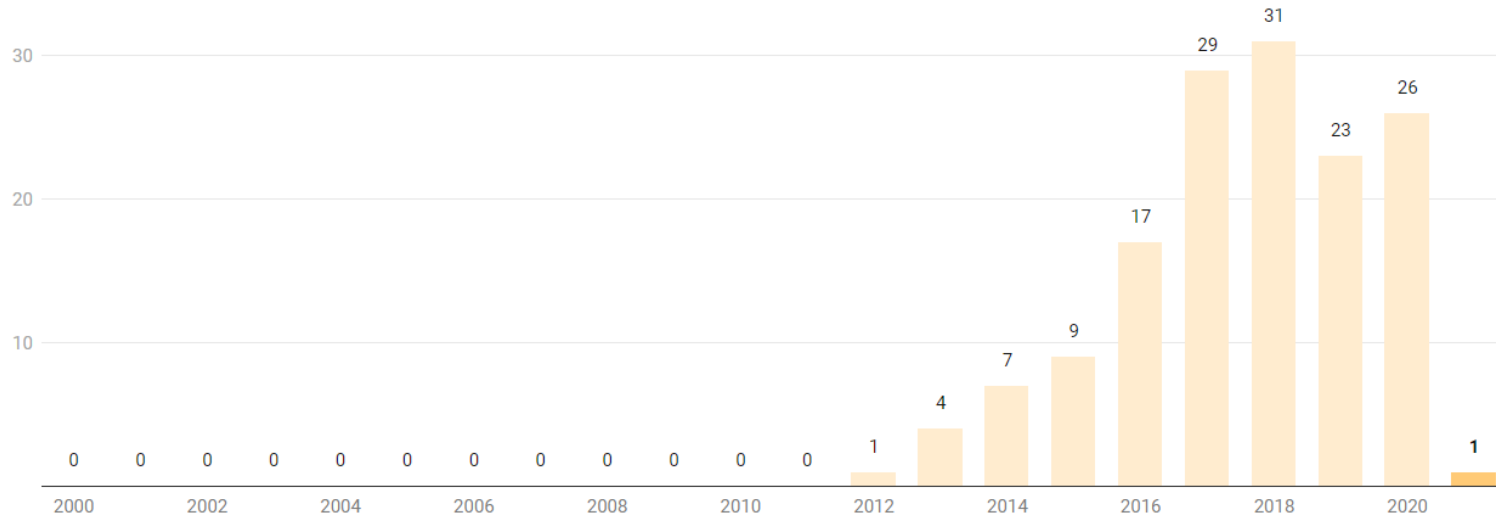
as of 31 January 2021



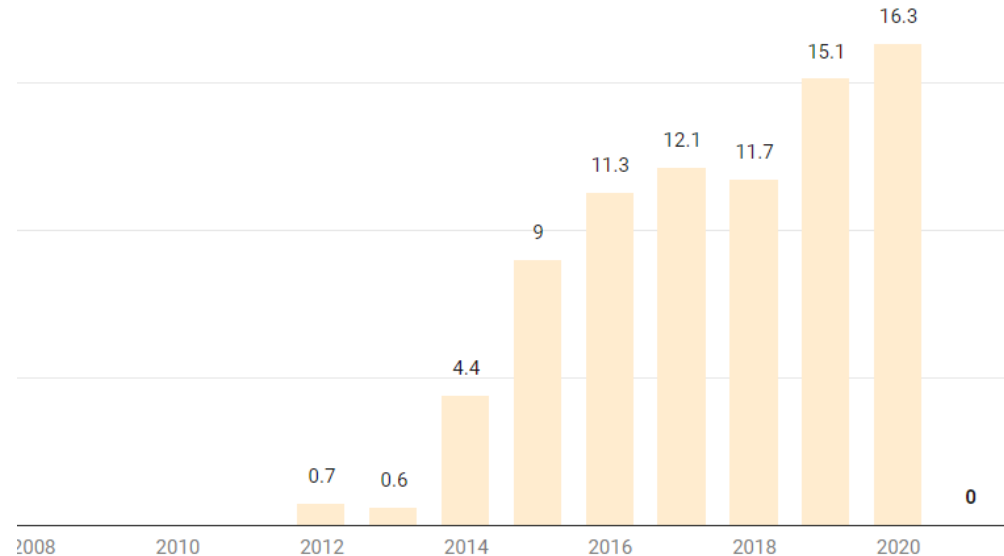
Despite the COVID-19 pandemic, 2020 was a record year with US\$425 mn, up from about US\$350-360 mn p.a. in the previous three years.

Funding Rounds (2/2)

Total capital raised [mill. USD] # of companies with funding rounds Average size [mill. USD]



Average size [mill. USD]



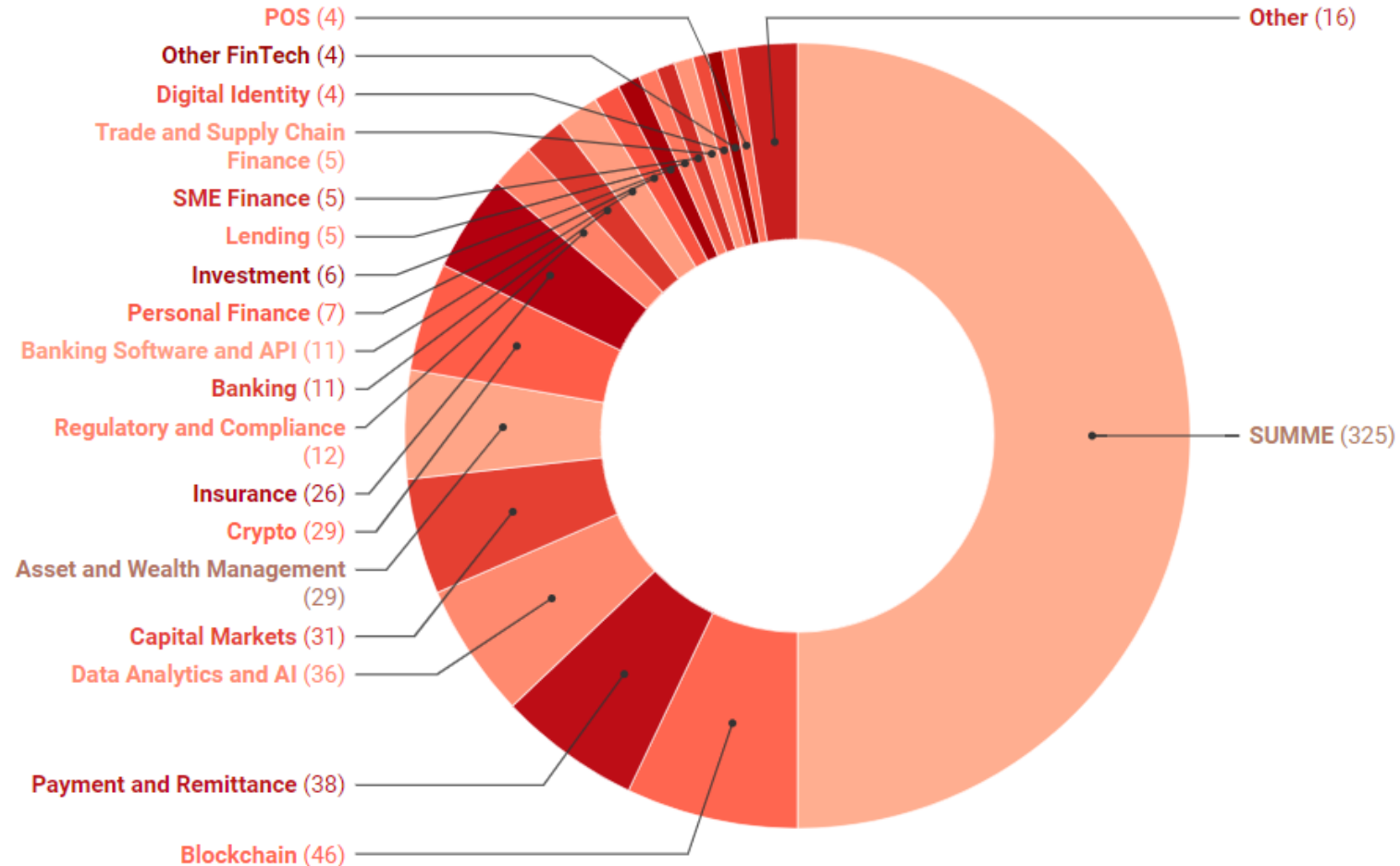
In 2020, we saw 26 financing rounds with an average size of US\$16 mn, after 23 rounds in 2019 with an average size of US\$15 mn.

The number of funding rounds decreased in 2019/20 compared to 2017/28, but the average size increased from US\$11-12 mn to US\$15-16 mn.

Ecosystem Diversity

Categories of Hong Kong FinTechs

as of 31 January 2021





2 Major Hubs

Hong Kong Science Park

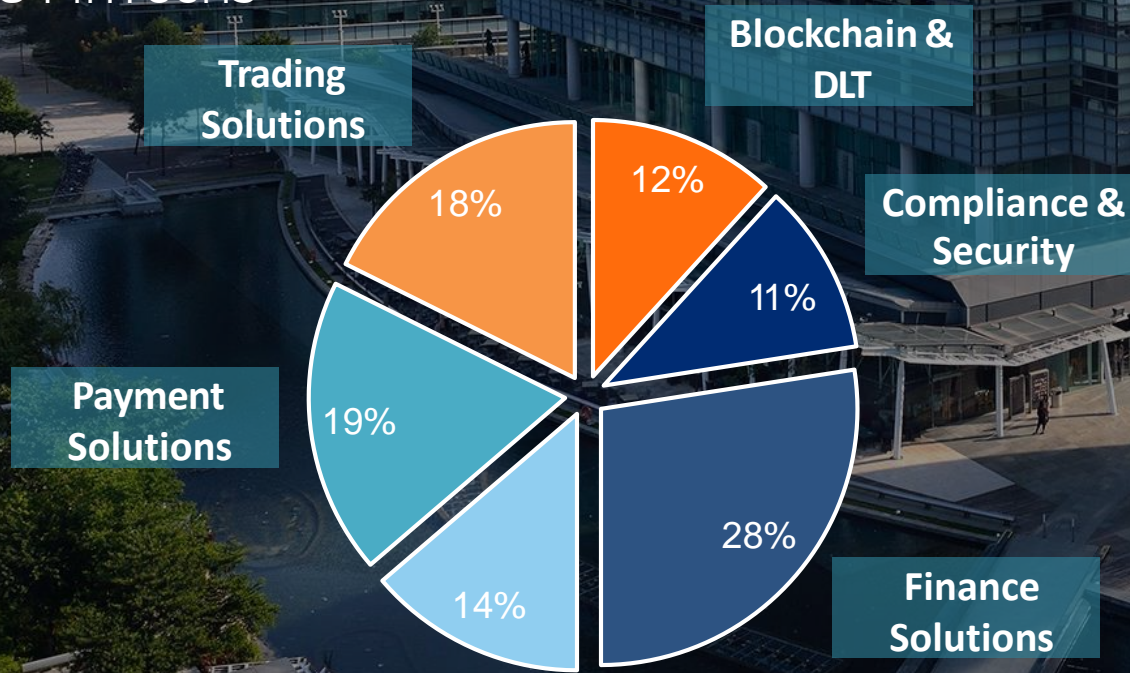
InnoCentre

Cyberport Hong Kong

Hong Kong Science Park



- Administered by the Hong Kong Science and Technology Parks Corporation, established by the Hong Kong government in 2001
- 400,000 sqm office and lab space for 9,000 staff
- Leading technology incubator in Hong Kong with 420+ start-ups
- 58 FinTechs



Incubation Program at HKSTP (INCU)

Supporting start-ups to develop & commercialize products for market success

Incu-App
網動科技.創業.培育
2-year programme
tech application
business innovation

Incu-Tech
科技.創業.培育
3-year programme
significant R&D
deep tech



FINANCIAL SUPPORT up to HKD 860K - 1,290K

- 320K-480K grant
- 360K targeted fund
- 450K rental subsidy
- talent & gov sponsorship



BUSINESS SUPPORT all-rounded support to your biz

- mentorship
- investment matching & support
- go-to-market & biz matching



WORKING PREMISES headquarter at Science Park

- Office/co-working spaces
- Tech Incubation Centre
- world-class infrastructure & facilities



TECHNICAL SUPPORT connect you with stakeholders

- training & consultation
- tech development with Uni
- productisation & manufacturing

Acceleration Program at HKSTP (LEAP)

Accelerating high-potential start-ups to grow on the world stage of business

FINANCIAL SUPPORT



▼ FINANCIAL PACKAGE

HKD 4.8M programme value (including HKD 1.2M financial subsidy & value added services + Project + Resources)

BUSINESS DEVELOPMENT SUPPORT



▼ INDUSTRY

3-tier mentorship system & industry connection

▼ ANCHOR SALES

channel building & scale up and expansion in regional/global markets

GROWTH MANAGEMENT SUPPORT



▼ STRATEGY

IP & corporate development capital planning

▼ CORPORATE & HR

corporate & HR structuring

▼ COMMUNICATION

marketing & PR support



InnoCentre

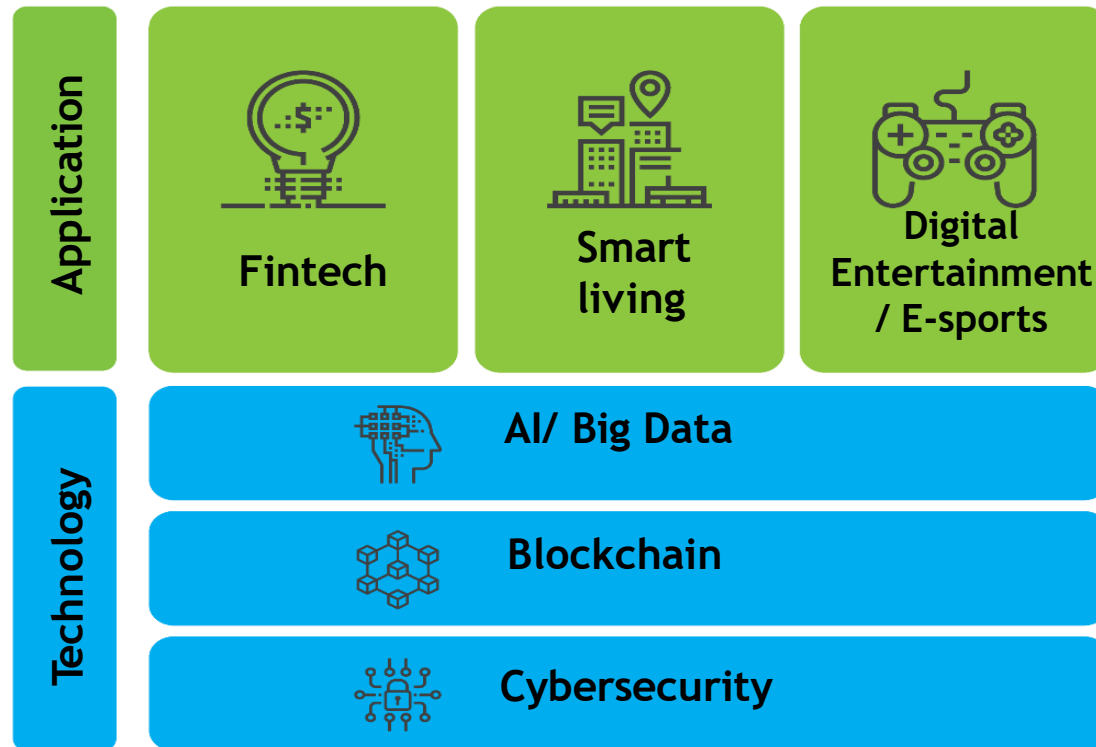
Newest initiative of the Hong Kong government, launched on 20 January 2021:

- A magnet for the city's fintech, digital commerce and design talent
- Downtown hub where young tech talent can gather to enjoy HKSTP's pre-incubation and soft-landing support
- Focus on AI, blockchain, cybersecurity and data analytics technology in FinTech

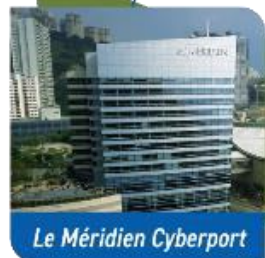
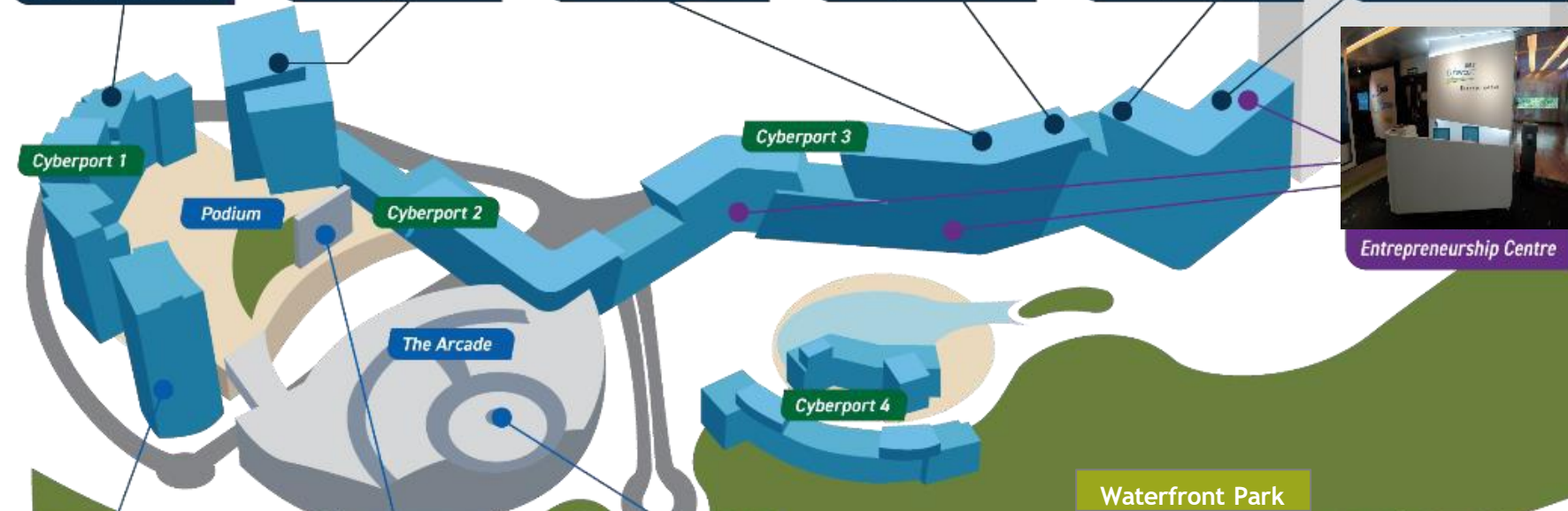


Cyberport Hong Kong

- Innovative digital community with over 1,500 start-ups and technology companies. In operation since 2004
- Managed by Hong Kong Cyberport Management Company Limited, which is wholly owned by the Hong Kong SAR Government

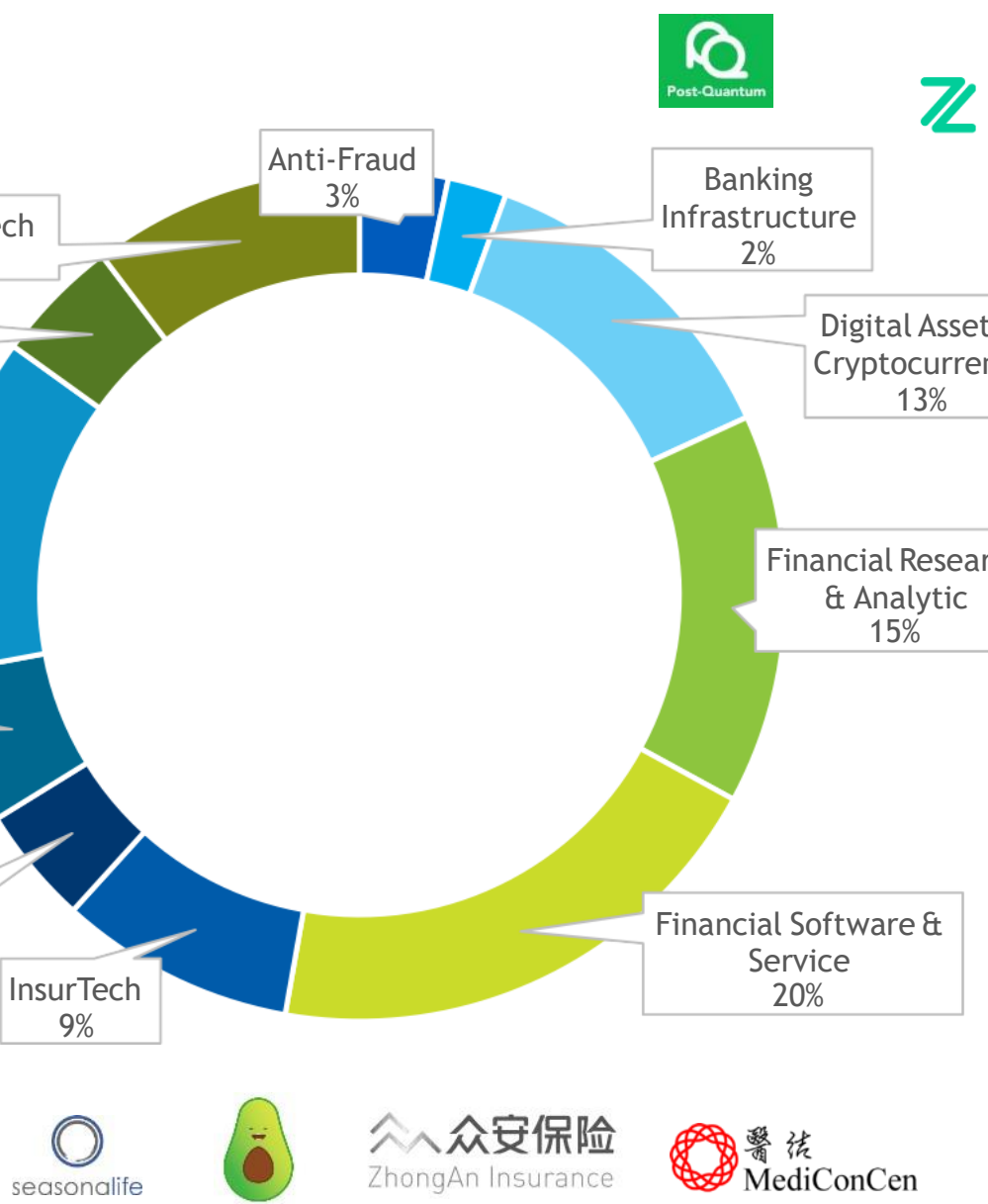
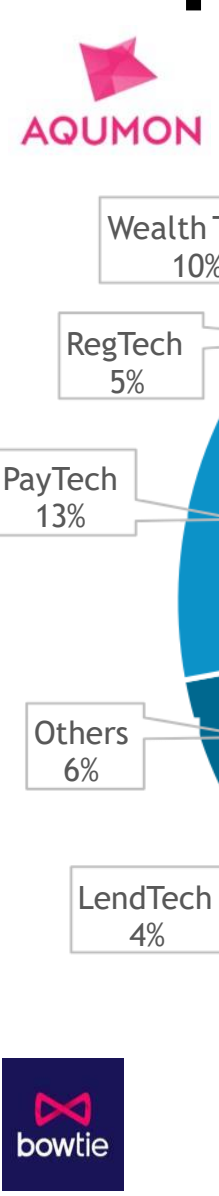
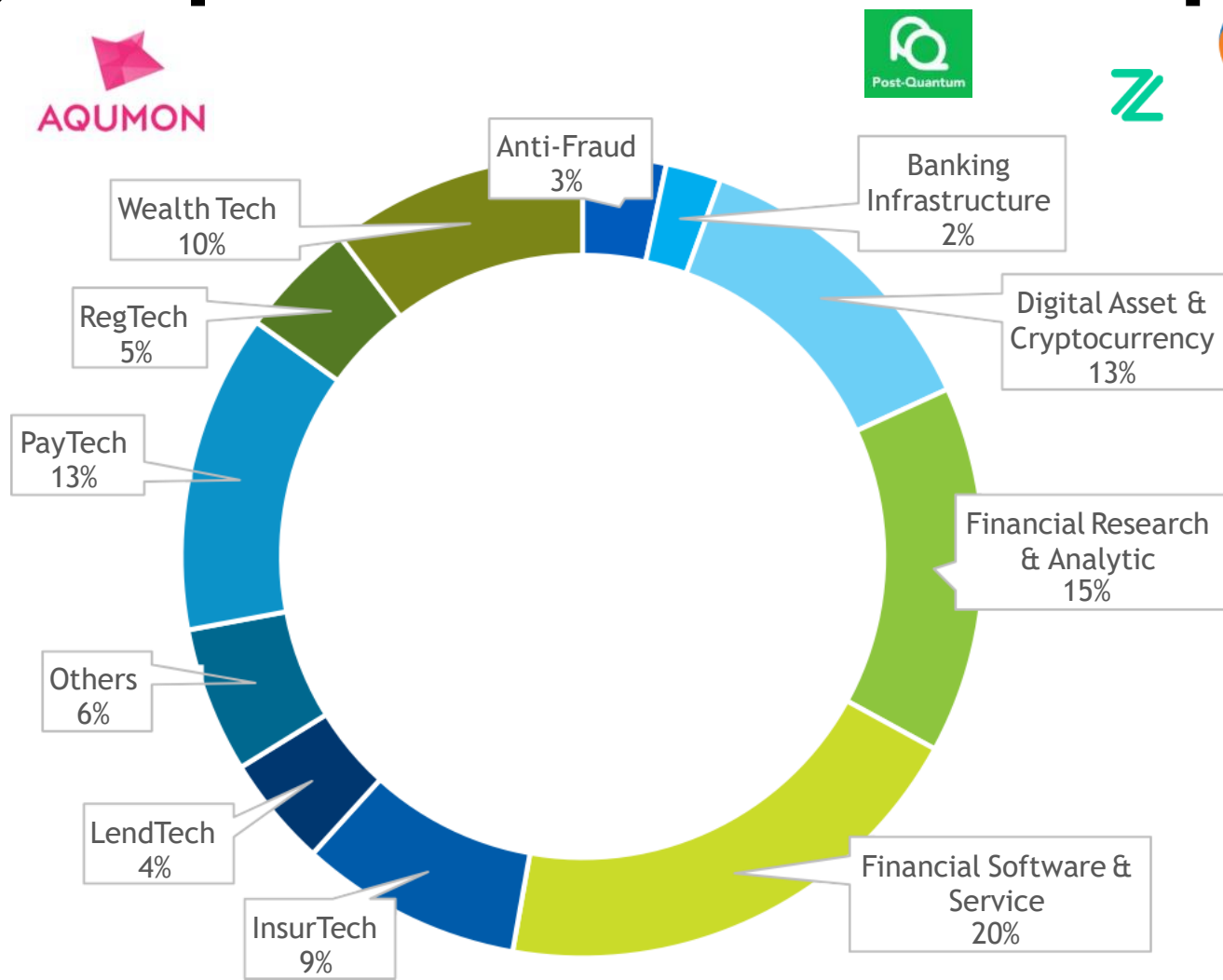


Cyberport Campus



@Tsuen Wan

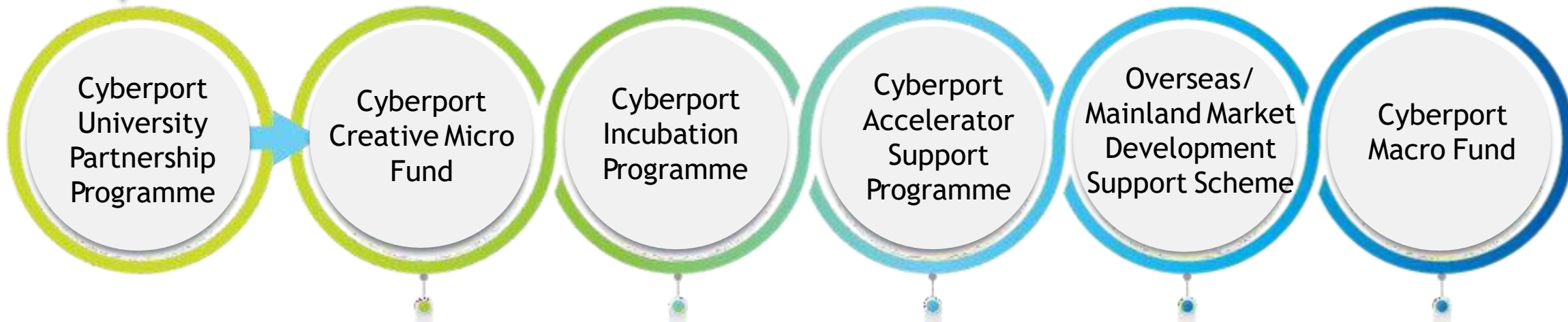
Cyberport FinTech Landscape



Reduce barrier for start-ups

Comprehensive platform to lower the entry costs for Digital Tech Entrepreneurs

Penetration at early stage



HK\$100,000
Seed funding

GOGOVAN

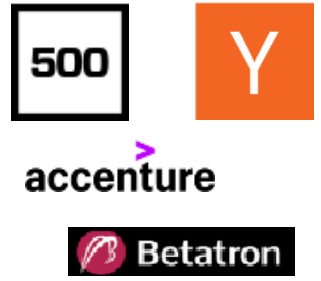
...and more

HK\$500,000
Financial assistance

KLOOK

...and more

HK\$300,000
Financial assistance



Up to \$200,000
Financial assistance



Total HK\$200M
Co-investment fund



3 Government Support (1)

Hong Kong SAR Government / Financial Services and the Treasury Bureau:



- Innovation and Technology Fund
- Innovation and Technology Venture Fund
- Enterprise Support Scheme
- Technology Voucher Program

Invest HK:



- Dedicated Fintech team for attracting and assisting Fintech companies, start-up entrepreneurs, investors and incubators from overseas and the Mainland
- Series of “FintechHK” events in the Mainland and overseas, including the FintechHK Global Competition (London, Toronto, San Francisco, Kuala Lumpur, Shenzhen, Hong Kong) and promotion roadshows in Singapore, Shenzhen, Japan and Korea

Financial Services Development Council:



- Theme-based Fintech studies
- e-KYC platform

Hong Kong Monetary Authority:



- Fintech Supervisory Sandbox
- Faster Payment System (FPS)
- Project Inthanon-LionRock: a research jointly conducted with the Bank of Thailand to study the application of CBDC for cross-border payments
- Establishment of the world’s first Bank for International Settlements Innovation Hub (“BISIH”) Centre
- Licensing Virtual Banks and Stored Value Facilities (e-wallets)
- Cybersecurity Fortification Initiative
- Fintech Career Accelerator Scheme

Government Support (2)

Securities & Futures Commission:



- Member of the Global Financial Innovation Network (GFIN) for regulatory cooperation
- Licensing framework for virtual asset trading platforms

Insurance Authority:



- Member of the Global Financial Innovation Network (GFIN) for regulatory cooperation
- Insurtech Facilitation Team
- Licensing Virtual Insurers

Cyberport:



- Various programs and funding schemes to support Fintech startups at different stages, including the Cyberport Incubation Program, the Cyberport Creative Micro Fund, the Cyberport Accelerator Support Program and the Cyberport Macro Fund
- Cyberport University Partnership Program

Hong Kong Science Park:



- Collaborating with the HKMA on the Open API Framework initiative for banking business at the Science Park Data Studio
- Hosting the Global Acceleration Academy

InnoCentre:



- New platform for Fintech solution co-creation, business matching, soft-landing of overseas Fintech companies, laboratory and Proof-of-Concept trials

Government Support (3)

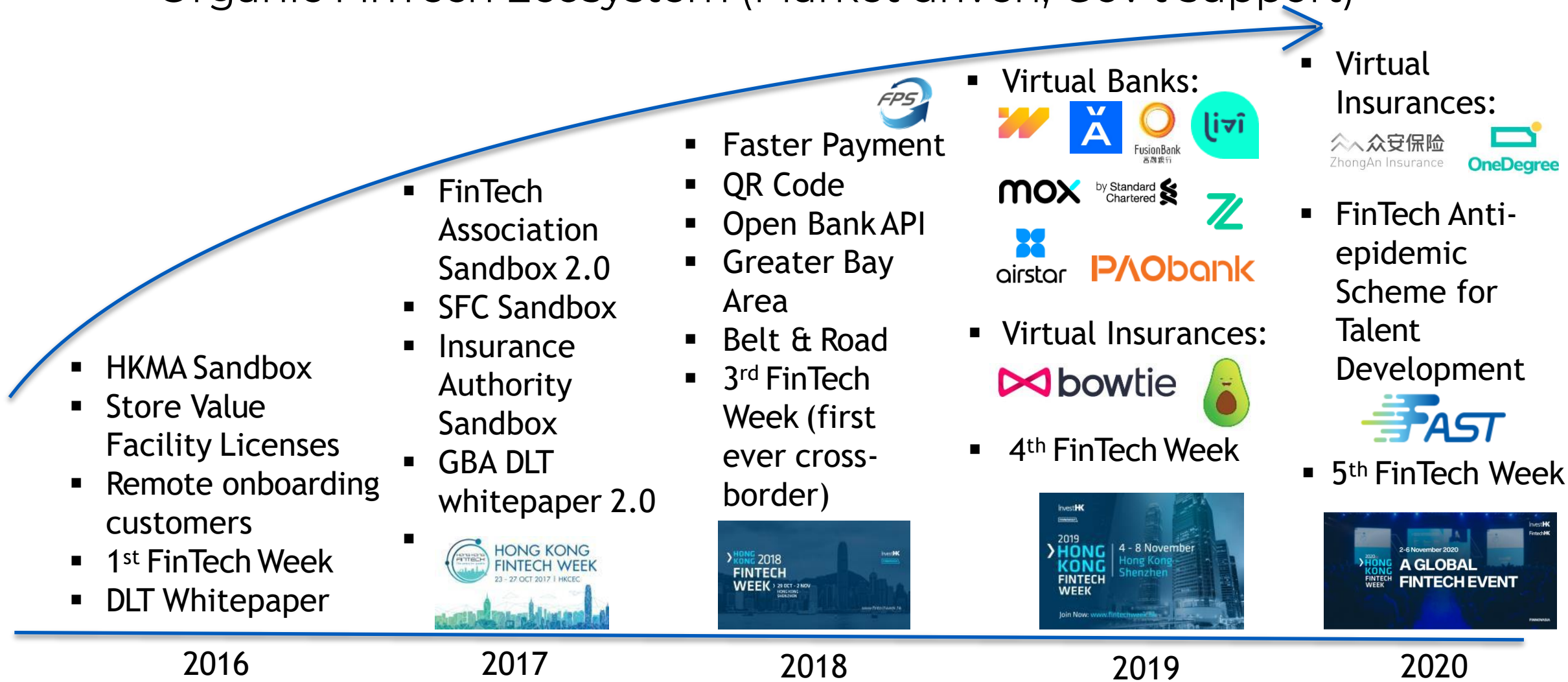
Future work focuses of the Hong Kong SAR Government include

1. Consolidating Hong Kong status as international finance, shipping, trade centers and international aviation hubs
2. Developing an international innovation and technology hub
3. Strengthening infrastructural connectivity
4. Expanding the scope of development for sectors in which Hong Kong's strengths lie
5. Fostering youth innovation and entrepreneurship
6. Fully utilizing Hong Kong's international connections and networks to promote the Guangdong-Hong Kong- Macao Greater Bay Area overseas and attract capital and talents to the Greater Bay Area



Hong Kong as a global FinTech hub

Organic FinTech Ecosystem (Market driven, Gov't support)






- HKMA Sandbox
- Store Value Facility Licenses
- Remote onboarding customers
- 1st FinTech Week
- DLT Whitepaper

- FinTech Association Sandbox 2.0
- SFC Sandbox
- Insurance Authority Sandbox
- GBA DLT whitepaper 2.0



- Faster Payment 
- QR Code
- Open Bank API
- Greater Bay Area
- Belt & Road
- 3rd FinTech Week (first ever cross-border)



- Virtual Banks: 
- Virtual Insurances: 
- 4th FinTech Week 



- Virtual Insurances: 
- FinTech Anti-epidemic Scheme for Talent Development 
- 5th FinTech Week



2016

2017

2018

2019

2020

4 Hong Kong FinTech Unicorns*



- Founded in 2014 in Hong Kong
- Private company
- Parent company registered at the Seychelles
- Bitcoin derivatives exchange
- Valuation of \$1 to 3.6 billion



- Founded in 2013
- Private company
- Virtual banking and consumer financing
- 170+ employees
- 42 million users and 300 enterprise clients
- Valuation of \$1 billion after raising \$156 million in 2019



- Founded in Melbourne in 2015
- Moved headquarters to Hong Kong in 2018
- Private company
- Cross-border payment platform
- 420+ employees in 10 international offices
- Valuation of \$1.8 billion after \$200 million raised in 2020 (\$402 million in total)



- Founded in 2015
- Private company
- Electronic wallet
- Valuation of \$860 million after \$60 million funding in 2018

Listed FinTech companies



- Founded in 2012
- Listed at NASDAQ ([NASDAQ: FUTU](#))
- Online brokerage
- 100+ employees
- \$136 million revenues in 2019
- Market cap of \$14.6 billion (01 Feb 2021)



- Founded in 2010
- Listed at HKEx ([00327.HK](#))
- POS payment terminals
- 1,600+ employees
- \$635 million revenues in 2019
- Market cap of \$1.1 billion (01 Feb 2021)



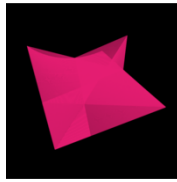
D I G I N E X

- Founded in 2017
- Listed at NASDAQ ([NASDAQ: EQOS](#)) since Sep 2020
- Digital assets trading & management
- Market cap of \$489 million (01 Feb 2021)

EFT Solutions

- Founded in 2004
- Listed at HKEx ([08062.HK](#))
- POS payment terminals
- \$15 million revenues in 2020
- Market cap of \$17 million (01 Feb 2021)

Our Watchlist*



Aqumon

Robo advisor, founded in 2015.
Total funding US\$30 million,
thereof US\$20 million in 2020.



Hex Trust

Enterprise-grade custody for
digital assets, founded in 2017.



Bowtie

Virtual insurance, founded in 2018.
US\$30 million funding in 2018.



MioTech

AI platform for corporate ESG data,
serving asset managers. Founded
in 2016.



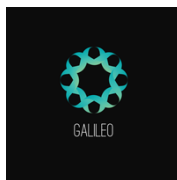
CoverGo

Award-winning insurance
technology company, founded in
2016.



OneDegree

First licensed digital insurer in HK,
founded in 2016. Raised US\$30
million in 2018/2019.



Galileo Platforms

Blockchain company, serving the
insurance sector since 2016.



Qupital

Digital trading marketplace for
corporate receivables, since 2016.
Total funding US\$20 million.



HashKey

Digital asset management and
blockchain solutions, since 2018.



Regtics

Compliance solutions for banks
and SMEs.

* excluding virtual banks



5

Recent Developments

Open Banking

Hong Kong Virtual Banks

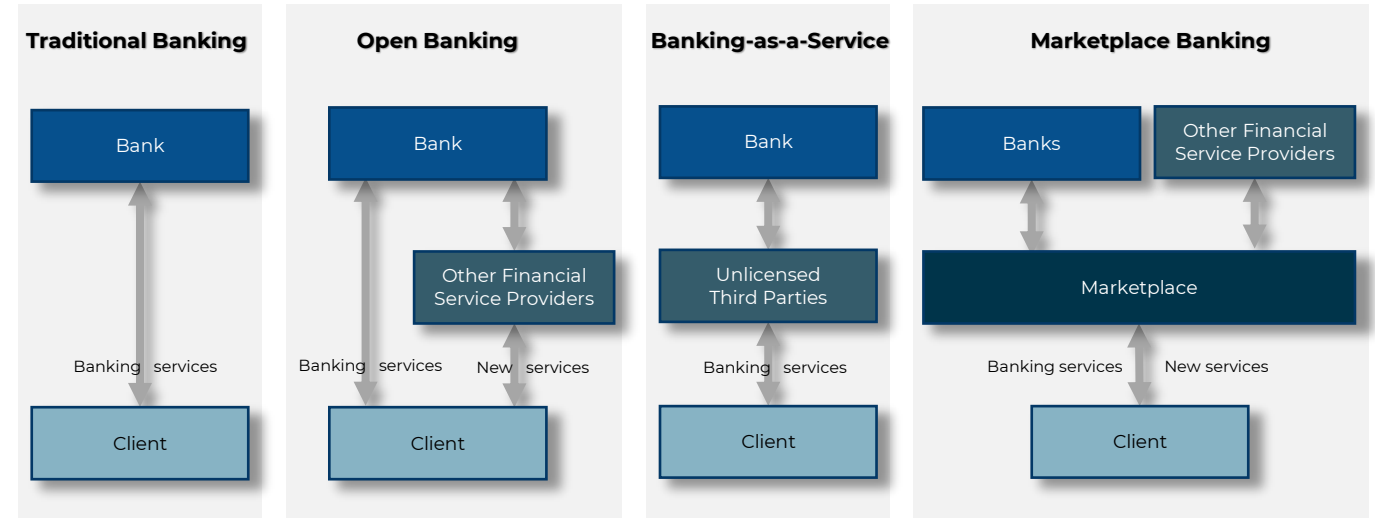
Wealth Management Connect

Open Banking

What is Open Banking?

Banks use Open Application Programming Interfaces (Open APIs) to enable third-party financial service providers (e.g., FinTechs) to develop applications and services around the financial institution.

They grant technical access to the account information of their clients. The banks' clients can determine who can access their account data and its purpose while maintaining data privacy and security. They benefit from additional functionality and improved usability.



Phase	Open API functions	Examples	Delivery time
I	Product information	Deposit rates, credit card offerings, service charges, and other public information	By the end of January 2019
II	Customer acquisition	New applications for credit cards, loans, and other products	By the end of October 2019
III	Account information	Account balance, credit card outstanding balance, transaction records, credit limit change, and others	To publish a set of technical standards in 2020, following which an implementation timetable will be set
IV	Transactions	Payment and transfers	

Phased implementation in Hong Kong

The Hong Kong Monetary Authority published a framework and a related implementation plan to develop an Open API for the banking industry in Hong Kong on 18 July 2018.

The framework was finalized after consultations with the banking industry.

The first two phases have been implemented.

Hong Kong Virtual Banks (1)

Hong Kong Monetary Authority (HKMA):

Virtual bank is defined as a bank which primarily delivers retail banking services through the internet or other forms of electronic channels instead of physical branches.

The introduction of virtual banks in Hong Kong is a key pillar supporting Hong Kong's entry into the Smart Banking Era. The HKMA believes that the development of virtual banks will promote fintech and innovation in Hong Kong and offer a new kind of customer experience.

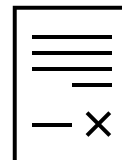
In addition, virtual banks can help promote financial inclusion as they normally target the retail segment, including the small and medium-sized enterprises (SMEs).

The HKMA issued Guidelines on Authorization of Virtual Banks in 2018 and received around 30 applications. After assessing and shortlisting them, it granted eight virtual banking licenses between March and May 2019.

Those virtual banks launched their operation between March and December 2020.

The HKMA will closely monitor the operations of virtual banks after they have commenced business, including customers' reactions to the new modes of delivery of financial services as well as the impact, if any, of these virtual banks on the banking sector in general.

The HKMA expects to be able to conduct a comprehensive assessment of the situation about one year after the first virtual bank has launched its service.



Hong Kong Virtual Banks (2)



Airstar Bank: Backed by Xiaomi and AMTD Group. Start: June 2020
US\$12.7 million expenses in 2019



Ant Bank: Backed by Ant. Start: September 2020
US\$6.4 million expenses in 2019



Fusion Bank: Backed by Tencent, ICBC, HKEx, Hillhouse Capital, and Perfect Ridge. Start: December 2020
US\$17.4 million expenses in 2019



Livi Bank: Backed by Bank of China, JD, and the Jardine Matheson Group. Start: August 2020
US\$25.9 million expenses in 2019



Mox Bank: Backed by Standard Chartered. Start: April 2020
US\$37.2 million expenses in 2019



Ping An OneConnect Bank: Backed by Ping An. Start: September 2020
US\$15.3 million expenses in 2019

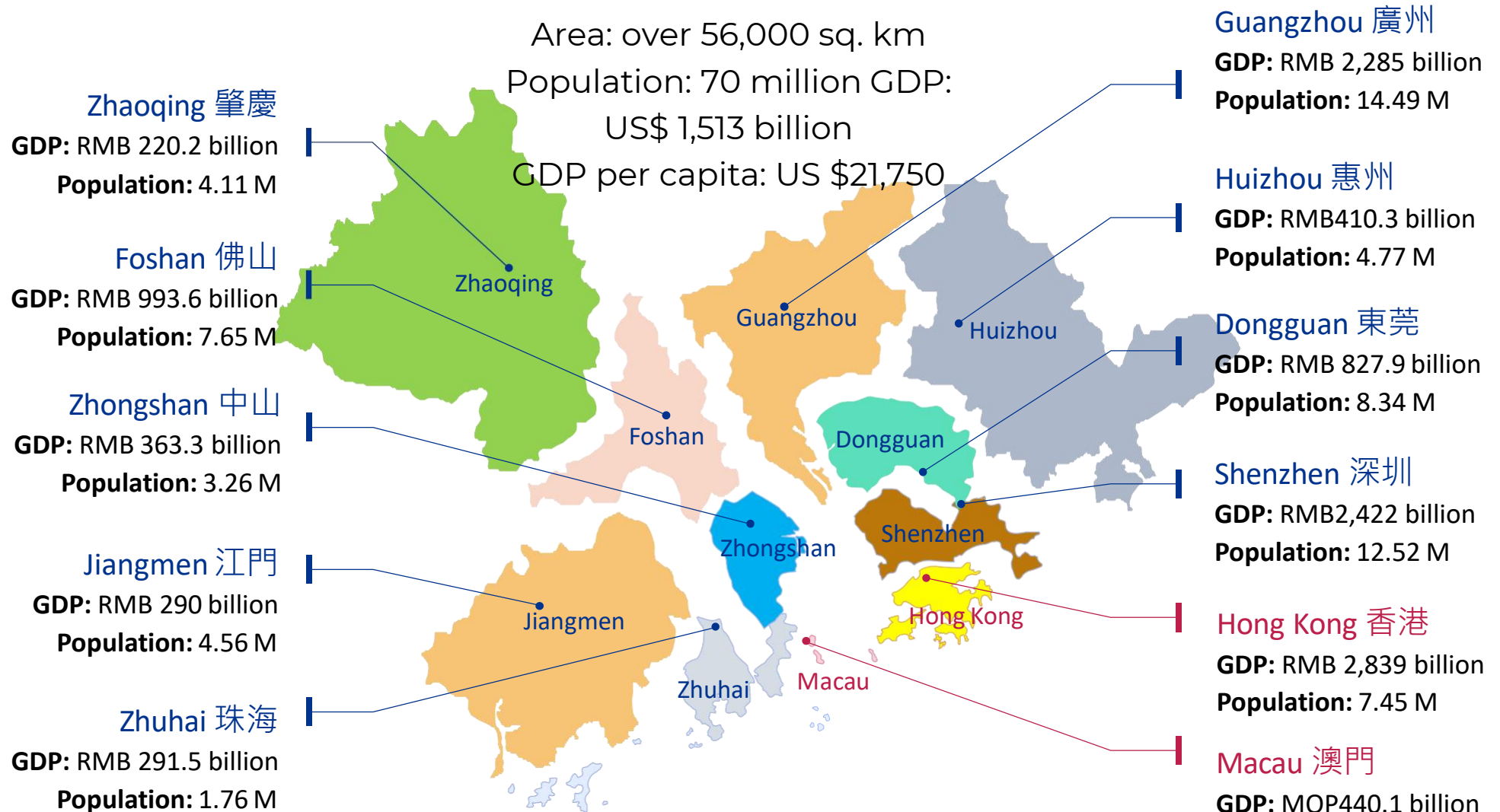


WeLab Bank: Backed by WeLab. Start: July 2020
US\$13.1 million expenses in 2019



ZA Bank: Backed by ZhongAn and Sinolink. Start: March 2020
US\$27.4 million expenses in 2019

Hong Kong's role in the Development of the Greater Bay Area (1)



Hong Kong's role in the Development of the Greater Bay Area (2)



Wealth Management Connect

To facilitate cross-boundary investment by individual residents in the Greater Bay Area, the People's Bank of China, the Hong Kong Monetary Authority, and the Monetary Authority of Macao have decided to implement the cross-boundary **Wealth Management Connect** pilot scheme.

Under Southbound Wealth Management Connect, residents of the Mainland cities in the Greater Bay Area can invest in eligible investment products distributed by banks in Hong Kong and Macao by opening designated investment accounts with these banks.

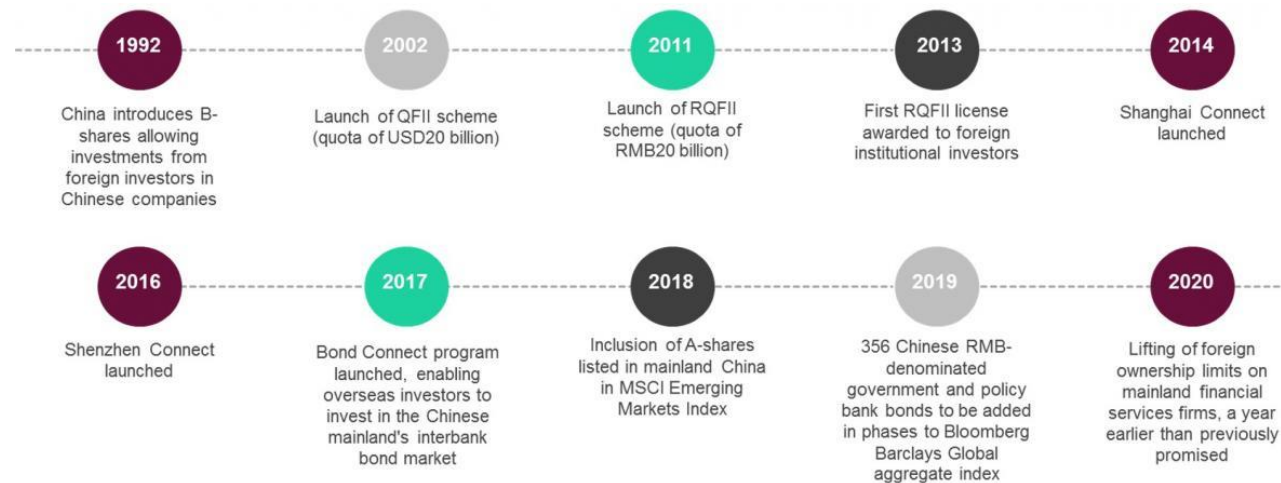
Under Northbound Wealth Management Connect, residents of Hong Kong and Macao can invest in eligible wealth management products distributed by Mainland banks in the Greater Bay Area by opening designated investment accounts with these banks.

[HKMA press release, 29 June 2020](#)

Background

Over the last two decades, China has slowly but steadily opened its capital market by implementing several programs and allowing for 100% foreign ownership of financial service providers since this year.

Some programs run via Hong Kong as a gateway, while other programs offer direct access for foreign institutions.



6 Market Entry (1)

Hong Kong is an excellent springboard to the Mainland with its 1.4 billion consumers, as well as other fast-growing countries in Asia.

Verticals

- 2/3 of Hong Kong FinTechs operate B2B.
- While blockchain is perhaps the trendiest vertical in Hong Kong FinTech, most crypto ventures moved to other jurisdictions, at least legally.
- Payment is the 2nd most important topic. The HKD, USD, and the RMB play an important role in the Hong Kong financial industry, including retail. EUR, GBP, JPY, AUD, and other currencies are popular as well, making multi-currency accounts a standard for retail and corporates.
- Furthermore, the large communities of expatriates and domestic helpers require cost-efficient remittance solutions.
- In capital markets, the new Wealth Management Connect scheme will offer exciting opportunities for international FinTechs in addressing the GBA market via Hong Kong.



Banking

- Hong Kong has one of the highest concentrations of banking institutions in the world. 70 of the world's largest 100 banks operate in Hong Kong.
- As of 2019, there were 164 licensed banks plus 30 other authorized institutions. The three largest banks in Hong Kong (HSBC incl. subsidiary Hang Seng, Standard Chartered, and Bank of China) controlled 2/3 of the retail banking, 3/4 of the mortgage market and credit card business, and 1/2 of the deposits.
- Eight new so-called virtual banks launched in 2020, increasing the competition in retail and SME banking.
- Incumbent banking has remained a laggard due to legacy issues, customer demand for high-touch banking and a dependence on paper-based workflow.
- With an 8-million population, the retail market is limited in size, though almost all residents have a bank account.*
- On the other hand, the Mainland Chinese Big Techs (e.g., Alibaba/Ant, Tencent, Xiaomi) are active in Hong Kong, both in payment and backing virtual banks.

* 96.1% already in 2014, according to the World Bank

Market Entry (2)

Incorporation

- Opening and maintaining a limited company in Hong Kong is quite easy and cost-efficient. Only a desk and a company secretary are required, no local director like in Singapore.
- Opening a corporate bank account can be quite challenging without personal contacts or track record. Hong Kong banks are highly concerned about money laundering and will frequently inquire details even of small-in-size transactions.
- English is the prevailing language in business, but B2C FinTechs have to equally support Traditional Chinese. Using Simplified Chinese and not Traditional Chinese is a major cultural faux-pas.

Government Support

- Hong Kong government entities welcome international FinTechs entering Hong Kong by offering practical ([Invest.HK](#), [HKMA](#)) and financial ([Cyberport](#), [HKSTP](#), [ASTRI](#), [hkpc](#)) support.

Tax

- The corporate tax system is quite favorable (see next slide), with a maximum rate of 16.5%, double/triple deductible R&D expenses and other perks.
- Therefore, many international FinTech companies register their group holding in Hong Kong.

Favorable Tax Regime in Hong Kong

Talent	An engineer with 2M HKD salary*	For reference				
		Hong Kong	Mainland	Singapore	India	Taiwan
	Income before tax (local currency)	200.0	162.6	34.3	1734.6	763.8
	Income tax base	149.6	162.6	34.3	1734.6	728.0
	Tax payment	23.6	55.0	4.4	595.6	194.1
	Income after tax (local currency)	176.4	107.6	29.9	1139.0	569.6
	Income tax rate	11.8%	33.8%	12.8%	34.3%	25.4%

Company	First 2M profit	First 2M R&D expense	The Rest
	eligible for a tax cut	300% tax deductible	200% tax deductible
	16.5% ▶ 8.25%		

*Assume married with an unemployed spouse and two kids under school-age, excluding all health and insurance benefits; 1 USD=7.8 HKD
Source: Hong Kong IRD, Singapore IRAS, India Income, Taiwan Etax, China Tax, Hong Kong Policy Address 2017

Appendix

Methodology

This research report bases on our database of 331 Hong Kong FinTech companies (as of 01 February 2021).

We update our database and this report on a regular basis, so that you always get as up-to-date information as possible.

InvestHK stated at a [webinar on 06 November 2020](#) that Hong Kong is home to 600+ FinTech companies.

While we use a slightly different definition of FinTech, we acknowledge that there is still a significant gap in our database. We will close that gap in the coming months.

We only include startups with a FinTech (financial technology) product or service, and only legal entities.

We also include foreign FinTechs with a legal presence (subsidiary) in Hong Kong, but we will not count funding rounds nor financials of their parent company for our statistics.

We will never guarantee that we cover all Hong Kong FinTech companies. Some new entrants start in stealth mode and might not be publicly visible in their first year.

We publish our [list of Hong Kong FinTech companies](#) on our website, so that everybody can check which startup is included and which is not. Furthermore, we offer [free and easy registration](#) of missing FinTech companies.

If you have any suggestions how we can improve our database and reports, please do not hesitate to [contact us](#).



FINTECH CONSULT
a brand of Blockchain (Asia) Ltd.
Sheung Shui, N.T. Hong Kong
www.fintech-consult.com
info@fintech-consult.com
[@fintech_consult](https://twitter.com/fintech_consult)



This document contains information that is the sole property of Blockchain Asia Ltd. and constitutes trade secrets, proprietary and confidential information. In consideration of the receipt of this document, the recipient agrees not to reproduce, or make available this information or to discuss with in any manner to personnel outside of those directly responsible for evaluation of its contents, without the prior written permission of Blockchain Asia Ltd. No responsibility, financial or otherwise, can be accepted for any consequences arising out of the use of this material, including the loss of profit, or indirect, special, or consequential damages.

Copyright © 2014-2021. All rights reserved.