Innovation Horizons: Asia-Pacific

Seeking Sovereign Stability in 2026 & Beyond

July 2026

HSBC Innovation Banking

Executive Summary

Building sovereign capabilities in the AI age

The Artificial Intelligence (AI) Supercycle is reordering global capital. Across Asia-Pacific (APAC), markets are diverging as each economy leans into its structural advantage. Public and private investment velocity is accelerating. Exit liquidity is shifting West to East. Hong Kong SAR and Singapore have emerged as the monetary gateways connecting mainland China to the world.

Distinct innovation identities have taken shape:

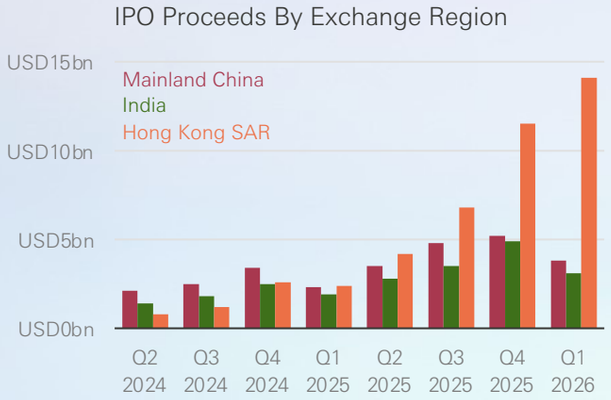
- **India** is unlocking a mass fundraising opportunity through local equity access and a maturing consumer-driven financial system.
- **Singapore** is deepening its role as the trusted hub for international capital, driven by a surge in family office activity and domestic AI transformation.
- **Australia** is pushing into deep tech through quantum computing experimentation, natural resource leverage, and a credible path to global compute leadership.
- **Mainland China**, in concert with **Hong Kong SAR**, is executing a sovereign AI strategy: building the infrastructure and capital backbone for the next generation of Chinese innovators.

These are converging stories, with each market advancing its capabilities and deepening its connections as global powers race to accelerate sovereign AI investment.

At a glance: Key findings shaping APAC's innovation landscape

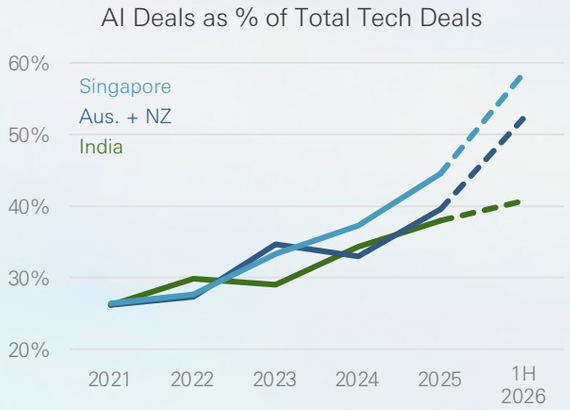
How capital, infrastructure and AI are redefining competitive advantage across the region

Hong Kong SAR revives its role as gateway to mainland China



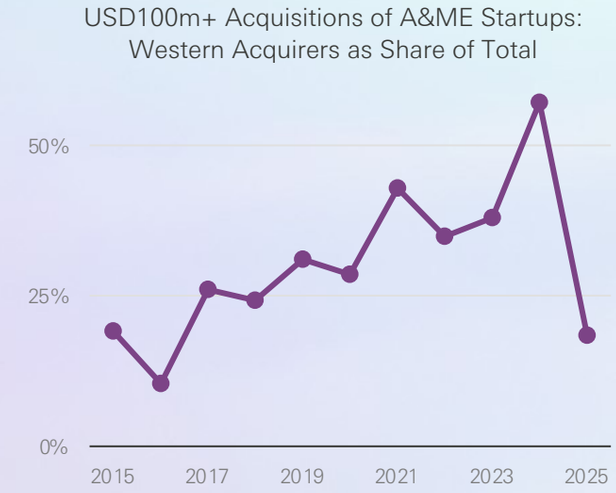
Capital and deal flow for IPOs in Hong Kong SAR have surged through 2025 into 2026. Regulatory easing allowed Chinese firms to dual-list on the HKEX, accounting for more than half of market activity.

Venture investment in AI climbs across the region



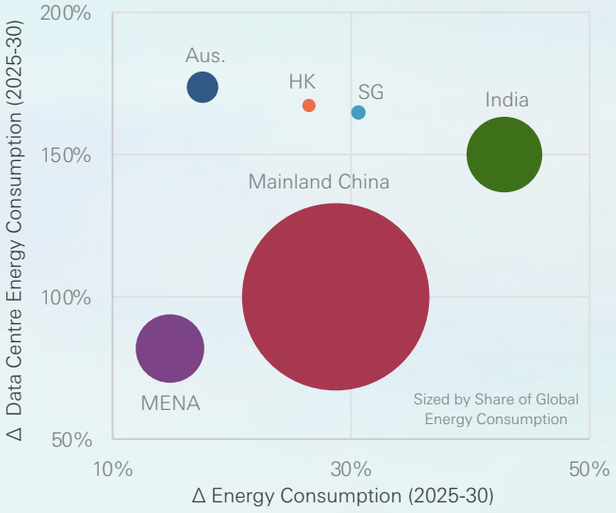
The APAC ecosystem is leading the way in AI, with a rising share of venture deals to AI startups. In the past five years, Singapore and Australia and New Zealand have climbed from less than one-third of deals to AI-focused firms, to more than half, tracking above the global average, with India close behind approaching 40% of deals.

Local acquirers step up as Western acquisition activity slows



After nearly a decade of steady increases of acquisitions of venture-backed startups by Western firms tapping Asia-Pacific and Middle East (A&ME) markets, 2025 saw a 65% drop in the number of East-to-West deals, with domestic acquirers stepping in to fill the gap.

Government policies address data centres' impact on energy consumption



Almost all geographies forecast data centre energy consumption to grow 2x or more from 2025-30 as AI demands greater infrastructure and compute in every market. India's smaller base leads to steeper growth in both total and data centre-specific energy consumption.

Sources: EY Global IPO Trends Report, PitchBook, Infocomm Media Development Authority (IMDA) & National Supercomputing Centre (NSCC), The National AI Centre (NAIC) & Department of Industry, Science and Resources (DISR), Press Information Bureau (PIB) Union Budget 2026-27, Ministry of Industry and Information Technology (MIIT) & China Academy of Information and Communications Technology (CAICT), Digital Policy Office (DPO) and HSBC Innovation Banking analysis.

Macro Conditions: Concentrated Growth

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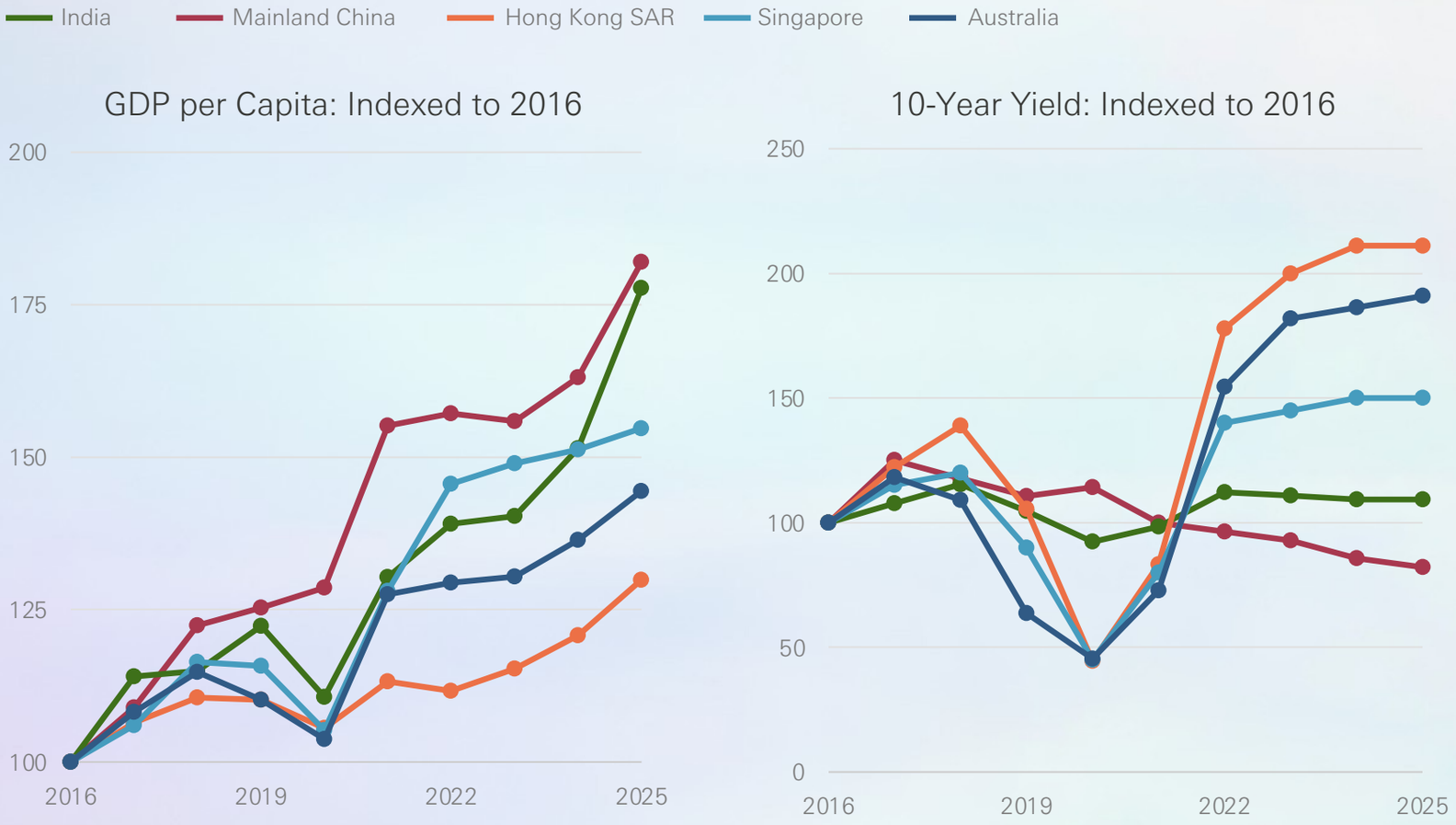
Being Bigger, Behaving Better

Positive real interest rates support GDP resilience

Macroeconomic Indicators: 2016-25



Sources: International Monetary Fund (IMF) World Economic Outlook (WEO) Database, People's Bank of China (PBOC), Reserve Bank of India (RBI), Hong Kong Monetary Authority (HKMA), Monetary Authority of Singapore (MAS), Reserve Bank of Australia (RBA) and HSBC Innovation Banking analysis.

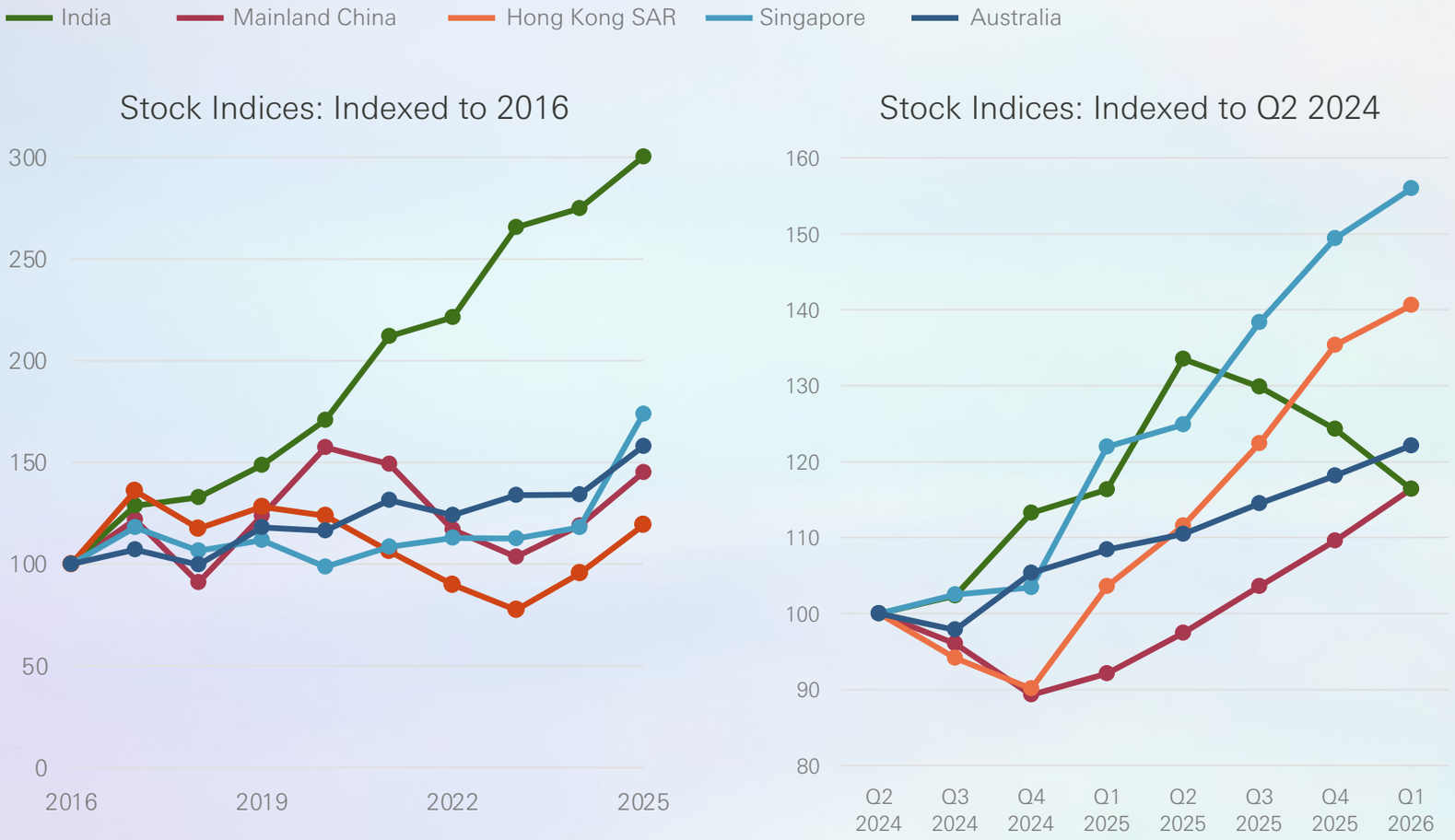
Big Picture

- The world's two largest populations, India and China, responded to the global pandemic with a prudent interest rate policy, thereby maintaining stronger real interest rates. This approach allowed for lower rates in the subsequent years, helping India expand consumer expenditure and mainland China manage real estate and regulatory enforcement challenges while maintaining steady economic growth.
- Singapore, Hong Kong SAR, and Australia suffered from monetary volatility, first the stimulus-driven zero-interest rate policy (ZIRP) followed immediately by the whiplash of inflation-triggered rapid interest rate hikes and the high-interest rate squeeze that tightened GDP per capita growth during the past few years as monetary policy followed global conventions.

One Decoupling, Most Returning to Peak Form

Despite post-pandemic volatility, most APAC indices outperformed in 2025

Public Market Performance



- India's Nifty50 growth has been driven by both concentrating returns, with the Nifty Pillars[1] growing over 450%, and massively expanding domestic consumption (2x) and credit access (20x). This growth is buoyed by a combination of dramatically improved fintech access, which drove 100m+ Demat accounts[2], and Systematic Investment Plans (SIPs)[3], where assets grew by nearly 1,300%. This retail participation drove nearly 80% domestic ownership, making India one of the decade's best performing equity markets.
- Exiting the inflationary cycle and subsequent global market pullback, strength in the financial and technology sectors have driven substantial growth through most APAC markets, particularly Singapore and Hong Kong. However, India has seen a market pullback during a transition from foreign to domestic ownership as foreign investors pulled nearly USD45bn from the market in the past year.

Notes: 1) Nifty Pillars are the four largest market cap equities, accounting for roughly one-third of the market cap in the Nifty50: Reliance Industries, HDFC Bank, ICICI Bank, and Infosys. 2) A Demat account is an electronic custody or retail brokerage account in India used to hold and trade stocks, bonds, and mutual funds digitally. 3) Systematic Investment Plans are an automated investing method in India where retail investors commit a fixed amount of money at regular intervals into mutual funds. Sources: Ministry of Finance Economic Survey 2025-2026, Chinese Securities Index Company, National Stock Exchange of India (NSE), Hang Seng Indexes Company Limited, iFAST, S&P Dow Jones, and HSBC Innovation Banking analysis.

APAC Markets: Growth Frameworks

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India: Domestic Resolve

Retail access to equities have created a burgeoning fundraising opportunity for founders through local listings in a more independent, consumer-driven financial system

Capital Access

A cultural shift from ownership of hard assets by passive savers to equities as active wealth creators resulted in a 10x increase in domestic equity ownership to over USD1 trillion.

- 2016: Public Finance Reforms
  - Aadhaar Act digitised all verification for KYC from the Unique Identification Authority of India (UIDAI)
  - Unified Payment Interface (UPI) provides instant, free settlement
  - ASBA (Application Supported by Blocked Amount) mandates when purchasing IPO shares, funds are blocked, not transferred, until allocated shares are received (most IPOs 2x oversubscribed)

Regulatory Frameworks

Domestic VCs deployed USD10bn locally in 2025, which is 40% of total venture dollars invested within India.

- 2021: Private Market Reforms
  - ESOP plans extended from 5 years to 10 years
  - Pension funds allowed to invest up to 5% in private markets through Alternative Investment Funds (AIFs)
- 2024: Private Financing Reforms
  - Finance Act 2024 lowered capital gains on unlisted companies from 20% to 12.5%
  - Abolition of Section 56(2)(viib). (aka: The Angel Tax) was eliminated, spurring access to early private capital

AI Capabilities

India data centre commitments over the past year have exceeded USD125bn to nearly double current total gigawatt (GW) compute with a longer-term focus to 10x capacity.

- India faces a challenge as its data centre infrastructure cannot fulfill current compute requirements: just 5% of global capacity domestically despite 20% of global demand
- 2024: IndiaAI Mission
  - Public Compute: Subsidise 70% of AI Compute costs for Startups, Research & Academia with 10k GPU cluster
  - Viksit Bharat 2047 Tax Holiday provides 10 Year Tax Free window from when the data centre is operational within a 21-year timeframe for any foreign cloud providers

Entrepreneurial Catalysts

Startup India Fund of Funds 2.0 (FoF 2.0) approved in 2026 as a successor to the original fund in 2016 to transition the ecosystem from consumer to industrial and deep-tech.

- 2016: Year of the Startup
  - Start-Up India Action Plan incentivises through tax rebates & easing regulations
  - Innovation Fund 1.0 (USD1.5bn), fully deployed in 145 VC funds & 1,400 companies spurring 4x additional capital raised (USD6bn)
  - Shift from celebrating the Job Seeker to the Job Creator, advocating for entrepreneurship out of necessity as over 10m annual youth job seekers

Innovation Flywheel Event

2018: Flipkart's USD16bn acq. by Walmart

250	6	USD25bn+
Ex-Flipster Startups	Ex-Flipster Unicorns	Combined Value

Sources: EY Global IPO Trends Report, Cushman & Wakefield's Global Data Center Market Comparison 2026 report, Data Center Association of India (DCAI), India's Department of Science & Technology (DST), Dow Jones, PitchBook, and HSBC Innovation Banking analysis.

Singapore: Capital Gateway for Southeast Asia

Rapidly expanding family office (FO) activity with local investment mandates deepens international capital flows while leaning heavily into domestic AI transformation

Capital Access

Upwards of 90% of Southeast Asia venture capital funding flows through Singapore.

- 2019: Family Office Capital of Asia
  - Section 13O and Section 13U provide tax protection for assets of SGD20m+ or SGD50m+, respectively
  - Local Investment Requirement (LIR) of the lower of 10% of assets or of SGD10m
- Sovereign Wealth Funds (SWF) control USD2 trillion with upwards of 5% invested into Venture Capital

Regulatory Frameworks

Domestic policy supporting FO expansion resulted in a 50x AUM increase.

- 2018: Flexible Funds Capital of Asia
  - Variable Capital Company (VCC) provides a privacy-centric "nesting dolls" structure to compartmentalise separate funds within a Family Office
  - Investment Funds are exempt from taxes
- 2026: Protected Privacy
  - Register of Registrable Controllers (RORC) requires registration of beneficial owners of VCCs as an Anti-Money Laundering (AML) compliance requirement, yet without public disclosure

AI Capabilities

In 2025, nearly 500 new AI-native companies were founded, which is almost 10x the new AI-native startups per capita in the US.

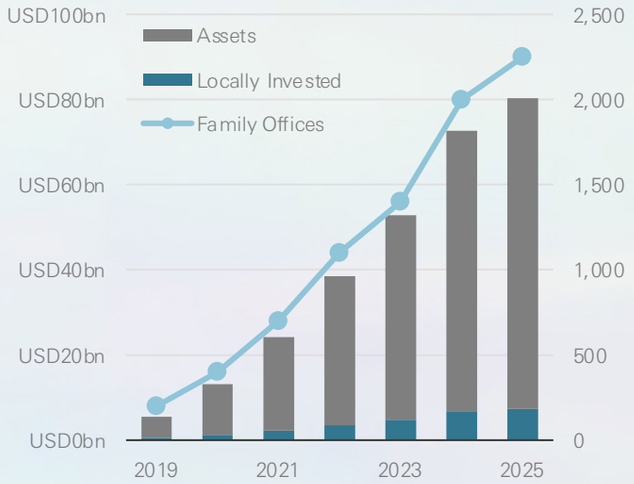
- Data centre consumption of energy per capita is the highest globally approaching its mandated cap at 12%
- 2023: National AI Strategy (NAIS) 2.0
  - USD27bn committed to AI Infrastructure through 2030
  - USD1bn funding targeting 26 AI Centres of Excellence
  - USD740m to domestic compute for sensitive data
- SIJORI: Triangle of Compute Capacity (Singapore, Malaysia, Indonesia)
  - Singapore maintains core training and low-latency
  - Malaysia & Indonesia take high-latency capacity

Entrepreneurial Catalysts

High AI adoption by individuals sits alongside a supportive policy environment, creating the highest trust scores of AI in APAC.

- 2017: Startup Singapore
  - Startup SG Unified Framework gives grants & matching funds
  - Global Innovation Alliance (GIA) connects founders in 24 global innovation cities for expanding abroad
- 2025: Tax Incentives
  - RIE2030 provides for SGD30bn in R&D Tax Credits for Health, Hardware, DeepTech, AI and Quantum startups
  - Enterprise Innovation Scheme (EIS) provides a 400% tax credit for AI-native organisational activities up to USD200,000

Singapore Family Office Expansion



Innovation Flywheel Events

Early: Lazada
2016 Acq.

Grab & GoJek
2021 IPO

7
USD300m+ Startups by ex-Lazada Founders

350+
Companies founded by ex-Grabbers

Sources: Monetary Authority of Singapore (MAS), Stanford Institute for Human-Centered AI (HAI) and HSBC Innovation Banking analysis.

Australia: Resource Rich

Pushing the frontiers of deep tech with quantum computing experimentation, and leveraging natural resources to establish a pathway to global compute leadership

Capital Access

A dearth of early-stage venture capital has created scrappier, more efficient founders and entrepreneurs.

- Top 5 Global Capital Retirement Pool
  - AUD4.4 trillion+ in Superannuation Funds (Supers)
  - Supers own over one-third of the ASX
- National Reconstruction Fund (NRF)
  - AUD15bn fund that invests in seven critical areas (Ag, Climate, Health, Transport, Resources, Defense, and AI)
- Limited Seed Capital
  - 5% of the active seed funds as the US
  - 0.5% of the seed capital as the US

Regulatory Frameworks

Policy limitations have necessitated a heavy reliance on foreign capital to scale domestic innovation.

- 2016: National Innovation and Science Agenda (NISA)
  - AUD1.1bn for tax reforms
  - CSIRO fund (Main Sequence) established (AUD1.1bn AUM)
  - Biomedical Translation Fund (BTF) coinvests up to AUD500m
- 2021: Your Future, Your Super (YFYS)
  - APRA test limits venture risk appetite for the biggest pool of domestic capital

AI Capabilities

Australia plans to transform into a compute exporter with expected commitments in excess of AUD100m for data centre infrastructure.

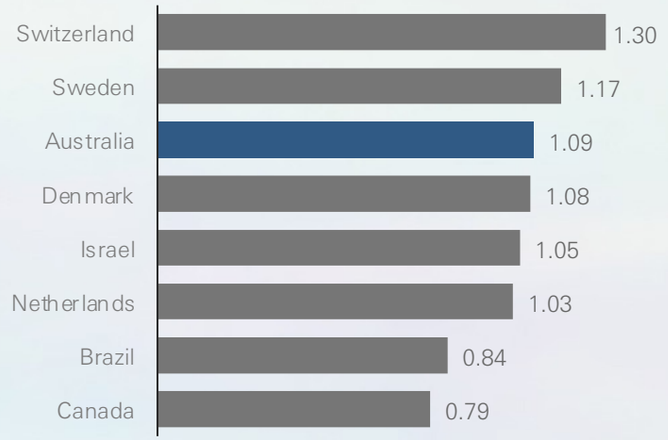
- 2024: Future Made in Australia (FMIA)
  - Tax breaks for key initiatives
- 2025: The National AI Plan (NAIP)
  - Primary focus on domestic compute & AI Factories
- 2026: National Data Centre Expectations
  - Connected the FMIA and NAIP together for data centres
- 2026: Digital Mines
  - Leveraging abundant access to rare earths, Australia is positioned to be a global AI infrastructure player

Entrepreneurial Catalysts

Systemic incentives empower founders to get further on less startup capital from early-stage funds.

- Innovation Tax Schemes:
  - R&D Tax Incentive (RDTI) provides approximately AUD3bn annually in tax credits to SME
  - Early-Stage Innovation Company (ESIC) provides tax incentives, both offsets and capital gains, for investors in startups that qualify
  - Early-Stage Venture Capital Limited Partnership (ESVCLP) - provide tax incentives, both offsets and capital gains for domestic funds and their LPs that invest domestically

Unicorns Created per USD1bn Invested



Innovation Flywheel Events

1.0 Atlassian
2015 IPO

2.0 Canva
Founded 2012

140
Ex-Atlassian Founders

USD42bn
Last Private Valuation

Sources: Dealroom.co via Side Stage Ventures and HSBC Innovation Banking analysis.

Mainland China and Hong Kong SAR: Rapid Acceleration, Physically & Financially

Execution against sovereign intelligence and autonomous capacity expansion, plus global financial connectivity, establishes an infrastructure and capital backbone for innovators

Capital Access

Hong Kong is both the top global IPO market and tokenised debt instrument venue in late 2025 and early 2026.

- "A-to-H" Dual Listings provide capital access to Chinese companies
  - 2025: 70% of the IPO volume and 50% of the IPO funds raised were Chinese companies dual listing on the HKEX
  - Stock Connect facilitated USD300bn of Foreign Investment through Hong Kong SAR (HK) into mainland China
- [HK] No capital gains tax in Hong Kong SAR

Regulatory Frameworks

In Q1 2026, Hong Kong Stock Exchange (SEHK) IPOs raised USD14bn, which is a nearly 500% increase year-over-year.

- [HK] SEHK Listing Reforms:
  - 2018: Chapter 18A - Biotech IPO framework
  - 2024: Chapter 18C - Specialist Tech IPO framework
- Shanghai Stock Exchange: STAR Market Fifth Standard
  - 2019 launched for Biotech
  - 2025 launched for AI, Aerospace and Drones
- Shenzhen Stock Exchange: ChiNext Fourth Standard
  - 2026 launched for new energy, robotics, advanced compute & quantum

AI Capabilities

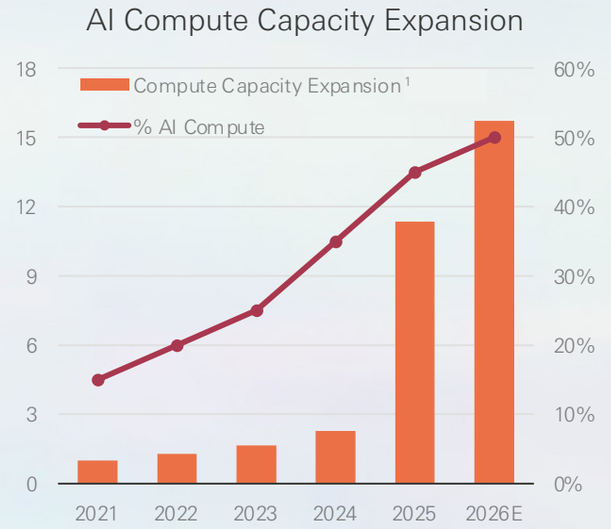
Leveraging foresight, planning and energy capabilities, compute infrastructure has been a national priority with AI being elevated to a National Security Pillar in 2026.

- 2022: Eastern Data, Western Compute Initiative
  - East: AI Inference, low latency (<10ms) to support autonomous physical AI and payment infrastructure
  - West: AI Training, latency-tolerant (100ms) to support archiving, storage and rendering
- 2025: DeepSeek's R-1 model became the most downloaded open-weight model triggering an opensource model race globally
- [HK] Cyberport AI Supercomputing Centre (AISC) provides 70% subsidised costs for AI compute for startups

Entrepreneurial Catalysts

There are over 150 humanoid robot startups competing to become a global leader in robotics innovation.

- 2018-26: "Little Giants" program (SRDI)
  - 17.5k+ startups focused on AI, Aerospace, Drones, semi-conductors, advanced materials, industrial tech
  - USD150bn+ in capital funding
- [HK] 2017: Innovation & Technology Venture Fund (ITVF)
  - USD250m matching funds (1:3) for VC investment
  - Expanded by USD200m (2025) for AI & Life Sciences
- [HK] 2023 - RAISe Scheme
  - USD1.25bn fund to support 100+ university research teams to commercialise



Innovation Flywheel Eras

1.0 BAT[2]	2.0 TMD[3]
2003-14	2018-26
65+	**30+**
Ex-BAT Founded Unicorns, Valued at	Ex-TMD Founded Unicorns, Valued at
USD600bn+	**USD160bn+**

Notes: 1) Increase in Compute Capacity measured in ExaFLOPS. 2) Baidu, Alibaba, and Tencent. 3) Toutiao (ByteDance), Meituan-Dianping, and Didi Chuxing.
Sources: Ministry of Industry and Information Technology (MIIT) & National Data Administration (NDA) and HSBC Innovation Banking analysis.

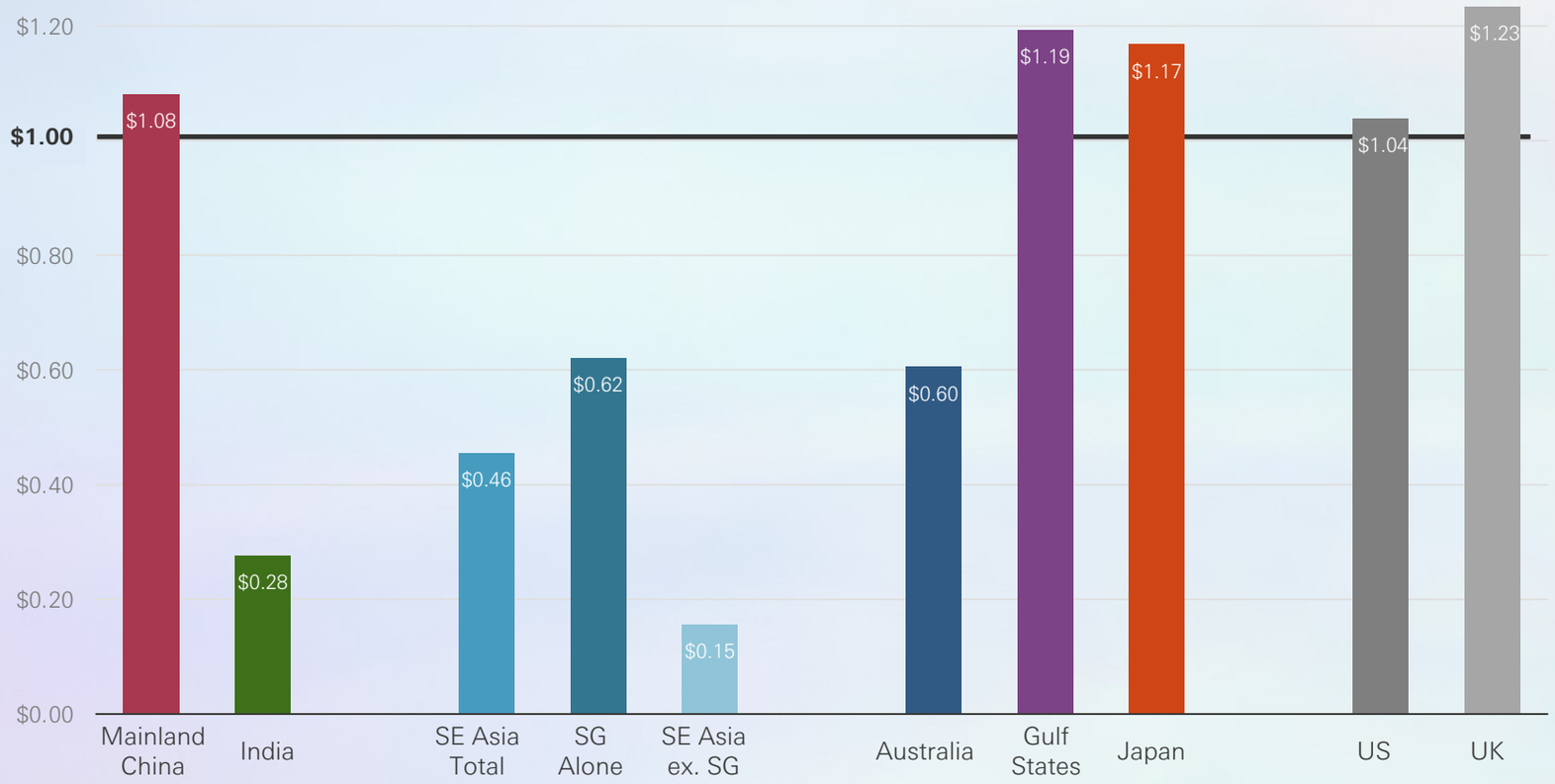
Investors: Recalibration & Internationalisation

HSBC Innovation Banking

Outside East Asia, Local Capital Supply Lags Demand

India, Australia, and SE Asia must look beyond domestic VCs

Venture Fundraisings by Dedicated Funds per Dollar of Venture Investment into Startups: 2015-25



- There's a wide disparity between the major venture markets of A&ME in where capital for startups is sourced. Compare mainland China, where dedicated funds are capitalised to fully support the ecosystem, to India, where startups raise nearly 3x the capital outside of dedicated domestic funds.
- Even Singaporean startups, the financing hub for Southeast Asia, rely on non-domestic or non-traditional capital sources for more than one-third of their funding. Meanwhile, the rest of Southeast Asia raised 5x the startup capital compared to local VCs.
- Despite ample global investment in innovation through its robust Superannuation funds, Australian venture firms raise only about 60% of the capital required by Australian startups, leading many Australian startups to seek funding overseas in Singapore, the UK, and the US.

Sources: PitchBook and HSBC Innovation Banking analysis.

Generational Wind of Change for SWFs

Shift from consumer in the East to LLMs in the West

A&ME Sovereign Wealth Funds' USD1bn+ Venture Deals: 2015-Q1'26

Before ChatGPT Launch (Nov. 2022)		Since ChatGPT Launch (Nov. 2022)	
West	**East**	**West**	**East**
Consumer-Focused			
Uber Freight, Devoted, chime, FTX, Uber, nu, EPIC	goto, J&T EXPRESS, DiDi, 美团, 兴盛优选, CAINIAO, gojek	EPIC	SHEIN
AI-Focused			
celonis		Reflection, Advanced Machine Intelligence, stripe, World Labs	DAYONE
Other			
northvolt	CGN	Stegra, northvolt	

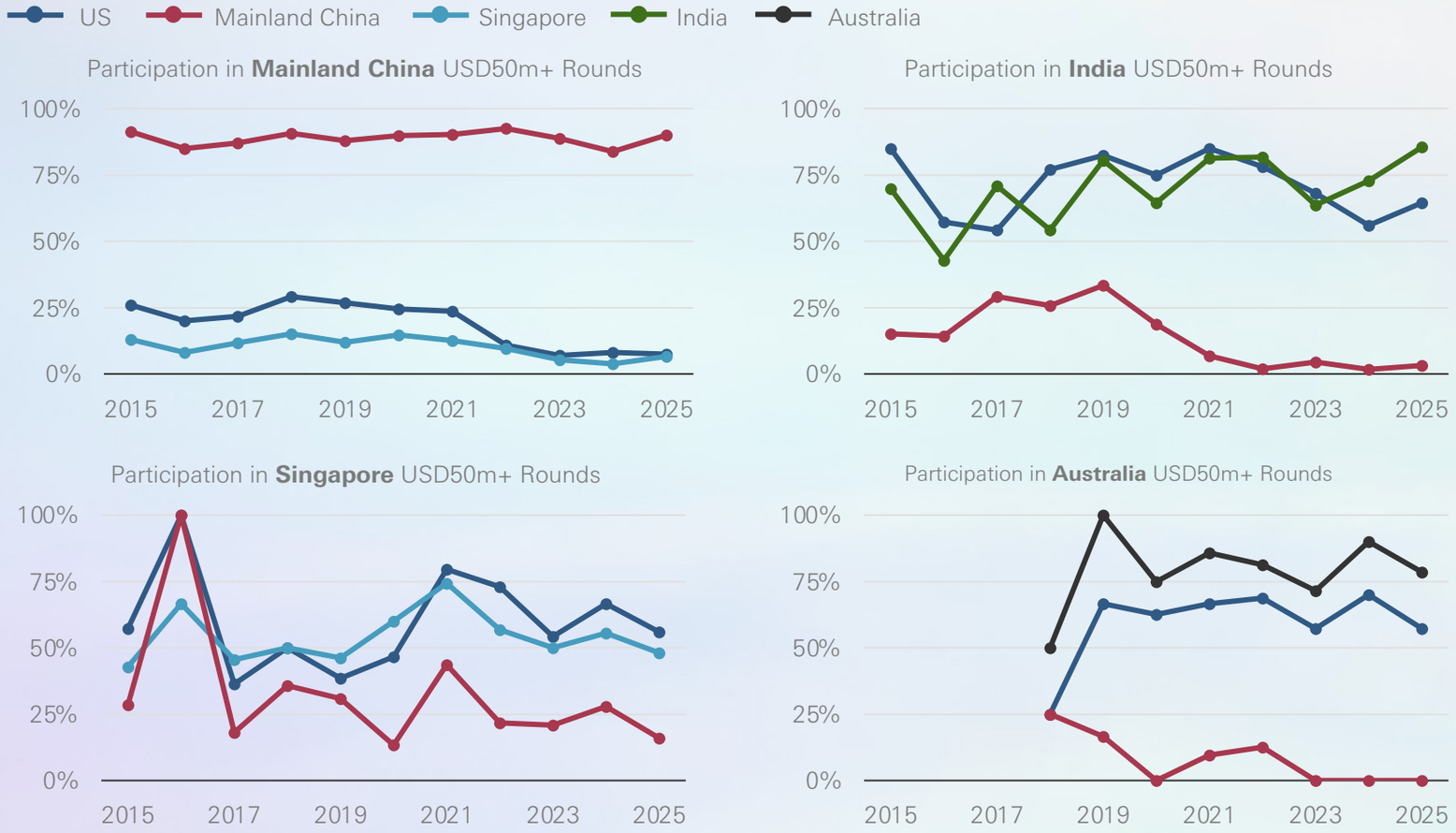
- Sovereign wealth funds based in Singapore, the Gulf states, and China played a key role in funding global scale for the largest private consumer technology giants in both the US and Asia during the late 2010s. But after completing 19 consumer-focused A&ME deals in the preceding seven years, SWFs have backed just one in the last three years.
- Since ChatGPT's launch kicked off the AI boom, most private SWF investment (74% of USD1bn+ deals) has focused instead on Western foundational model companies with high capital demands.
- The nascent AI landscape in Asia has been led mainly by large public technology companies directly developing models (e.g. Alibaba's Qwen) and investing in startups (e.g. Alibaba and Tencent's investment in Moonshot AI's, Kimi). Meanwhile, Tencent, CATL and JD.com joined a sovereign investment into DeepSeek, the largest mainland China private funding of an AI model company.

Sources: PitchBook and HSBC Innovation Banking analysis.

Growing Self-Sufficiency in the Two Largest Markets

Smaller markets rely on US capital sources for larger rounds

Cross-Border Investment Participation by Investor Home Country



Note: Percentages do not add to 100% as investors from multiple countries may participate in the same round.
Sources: PitchBook and HSBC Innovation Banking analysis.

International Participation

- China has established a self-sufficient capital market even for later-stage companies scaling to USD50m+ in capital raised, which once often saw international investors in the round. Participation rates in USD50m+ rounds from investors in the US have fallen by three-quarters and from Singapore by one-half from their peaks in 2018.
- India is on a similar trajectory towards domestic predominance. While the share of deals in India with a mainland China-based investor has dropped from one-in-three to near-zero, participation rates by India-based investors surged.
- For each of the last five years, more USD50m+ venture rounds in Singapore have included a US-based fund than a domestic investor.
- Australian startups have received steady US support, with earlier local firms likely to participate alongside with the positive market signal of a US investor.

Investment: Capital Flows Towards Intelligence

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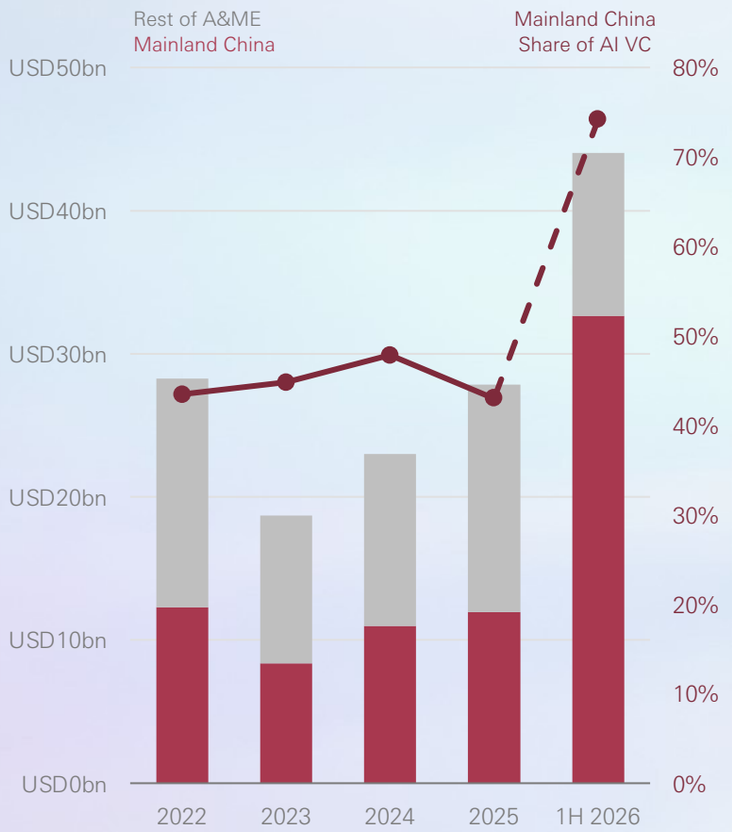
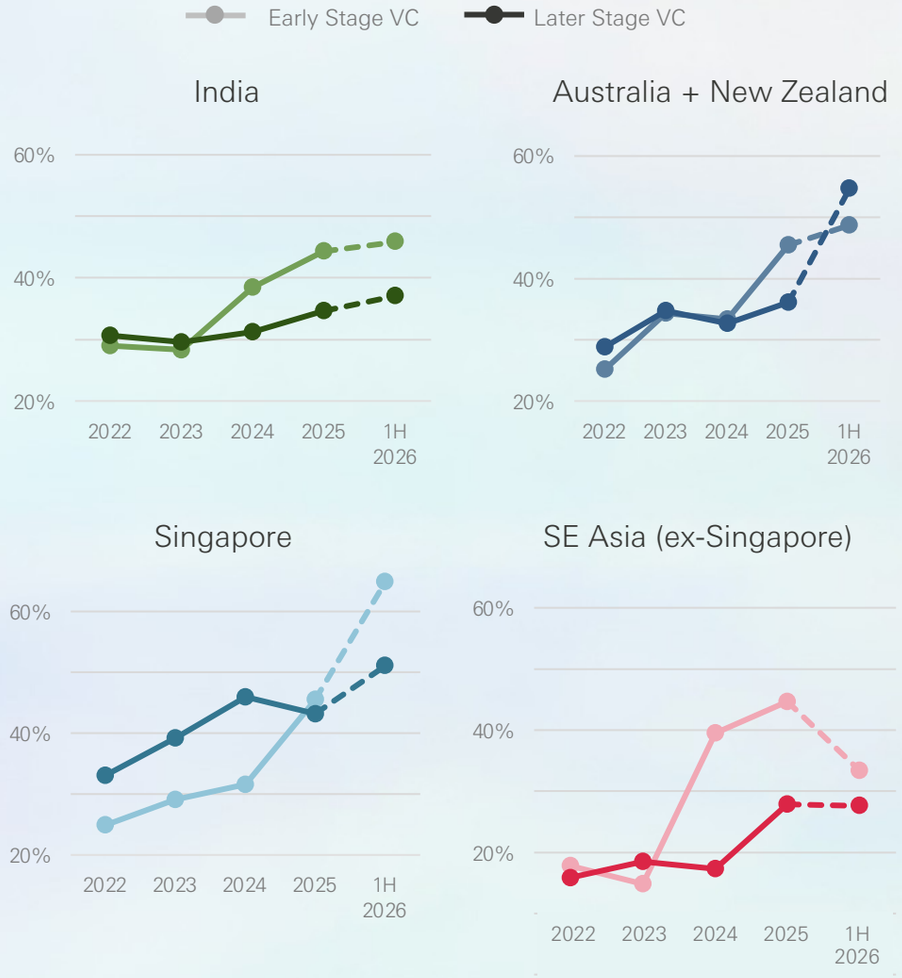
AI’s Early Impact Felt Across APAC

Deals to AI approaching half of all tech deals in most regions

Mainland China's Share of A&ME AI VC Investment



AI Deals as % Total Tech Deals



Sources: Bloomberg, PitchBook and HSBC Innovation Banking analysis.

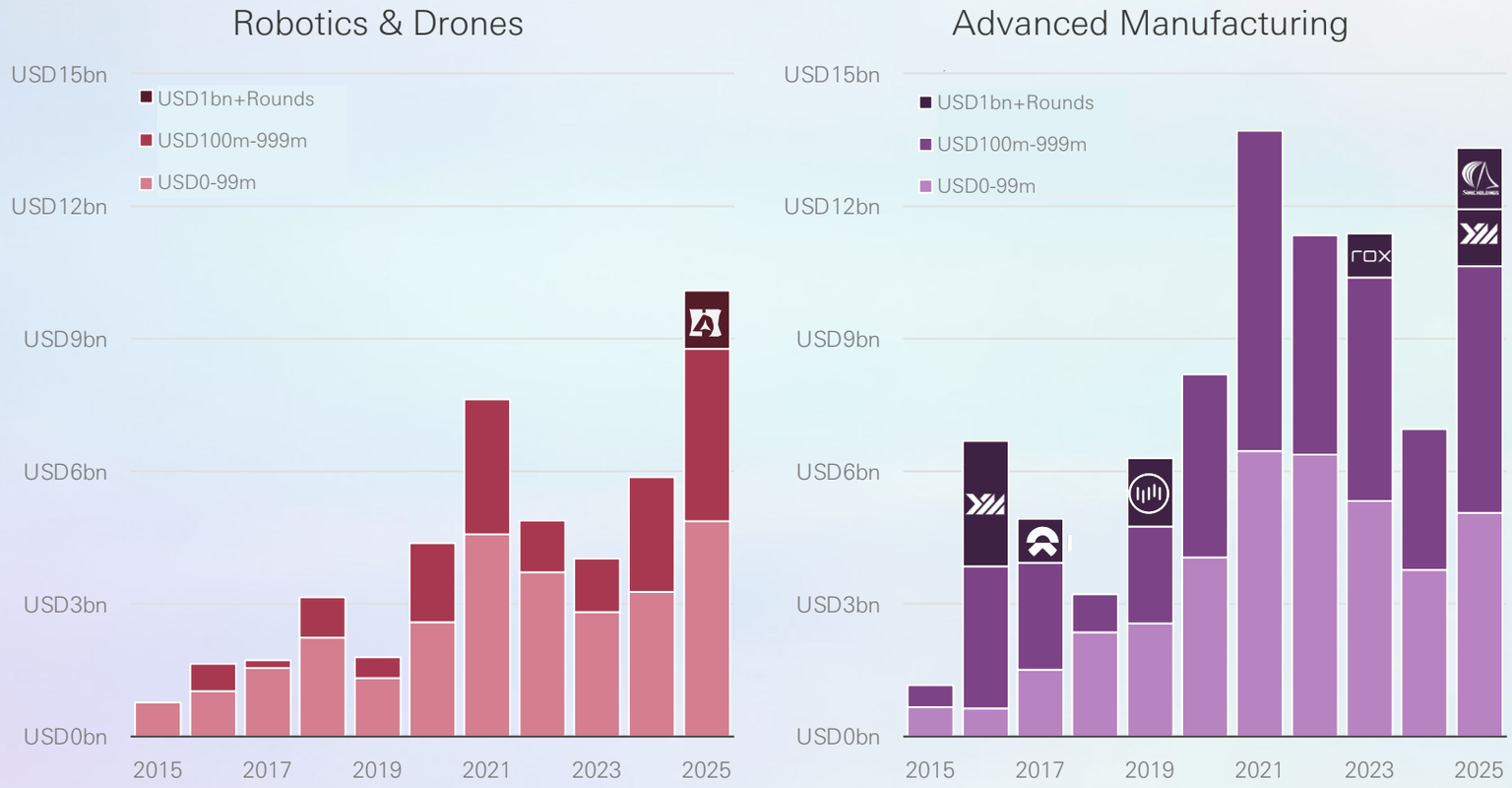
AI Climbs

- Mainland China has maintained a dominant position in AI for years, accounting for nearly half of investment in the APAC region. With mega-rounds to ByteDance, DeepSeek, Moonshot AI, and Stepfun in the first half of 2026, this figure spikes to roughly three-quarters of AI capital raised in the region.
- Singapore and Australia and New Zealand have seen steep increases in AI deal activity as a share of total tech deals, with early indications suggesting more than half being directed to AI in 2026.
- India’s venture ecosystem has shown steady increases through 2025 in its share of AI-native companies, predominately focused upon the application layer.
- Burgeoning hubs in Jakarta, Kuala Lumpur, and Ho Chi Minh City have helped push early-stage AI deals in other Southeast Asian countries in 2025 to match that of Singapore (45%).

Physical Climb to Billion-Dollar Raises for Hardware

Investment rises across stages in two capital-intensive sectors

A&ME Sector Investment by Round Size: 2015-25



Sources: PitchBook and HSBC Innovation Banking analysis.

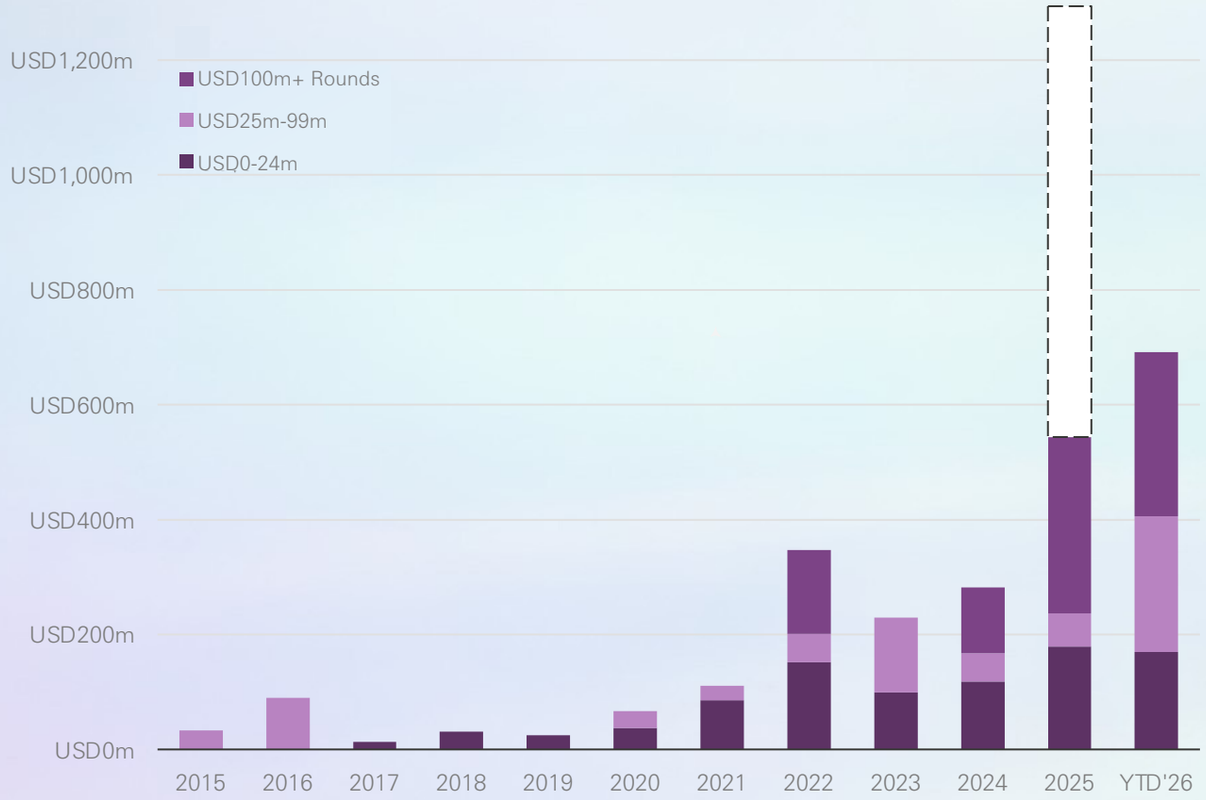
Hot Sectors

- Record investment flowed to next generation hardware sectors, with multiple USD1bn+ deals in Advanced Manufacturing for the first time. Robotics & Drones is early in its lifecycle, with the first USD1bn+ round last year.
- Mainland China accounted for the majority of these regional deals in 2025, with 61% of the Robotics & Drones deals and 70% of the Advanced Manufacturing in region, demonstrating its dominance in hardtech. The next closest APAC country in deal share for each sector is India, at 10% and 7%, respectively.
- China's ecosystem has developed to the point that earlier champions are helping to fund the next generation, as is the case for DJI's Series B investment in ELEGOO.

Financing the Next Frontier of Quantum Computing

Flurry of deals and dollars to fund breakthroughs at scale

A&ME Quantum Computing Venture Investment by Round Size: 2015-YTD[1]26



PsiQuantum

USD750m Series E

Investors Include:

Queensland Government

TEMASEK

QIA جهاز قطر للاستثمار QATAR INVESTMENT AUTHORITY

- Investment at the forefront of computing has surged, with 2026 already representing the highest funding total for the A&ME region to date after just the first five months of the year.
- Australian startups have accounted for 15% of the quantum computing venture capital raised since 2023, compared to their share just 4% of overall venture funding in A&ME.
- US-headquartered PsiQuantum raised an enormous USD750 million Series E equity round alongside another USD200 million in debt financing, with the Australian government providing funds in agreement that the company break ground on a utility-scale quantum computing site in Brisbane, Australia. The rest of the round included participation from sovereign wealth funds in Singapore and the Gulf States.

Note: 1) YTD 2026 data includes figures through May 31, 2026.
Sources: PitchBook and HSBC Innovation Banking analysis.

Exits: Domestic Solutions

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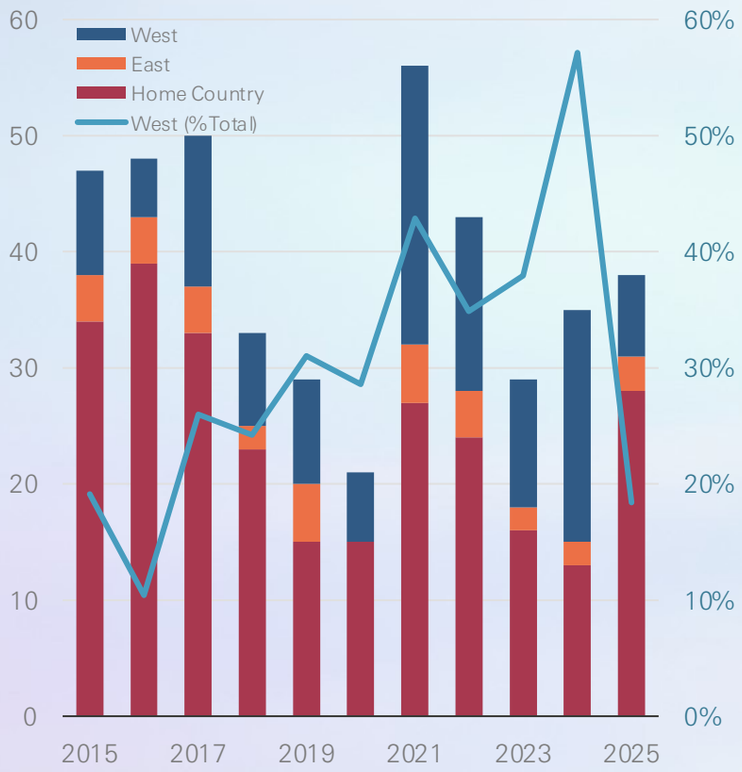
Substantial Leap Towards Self-Reliance

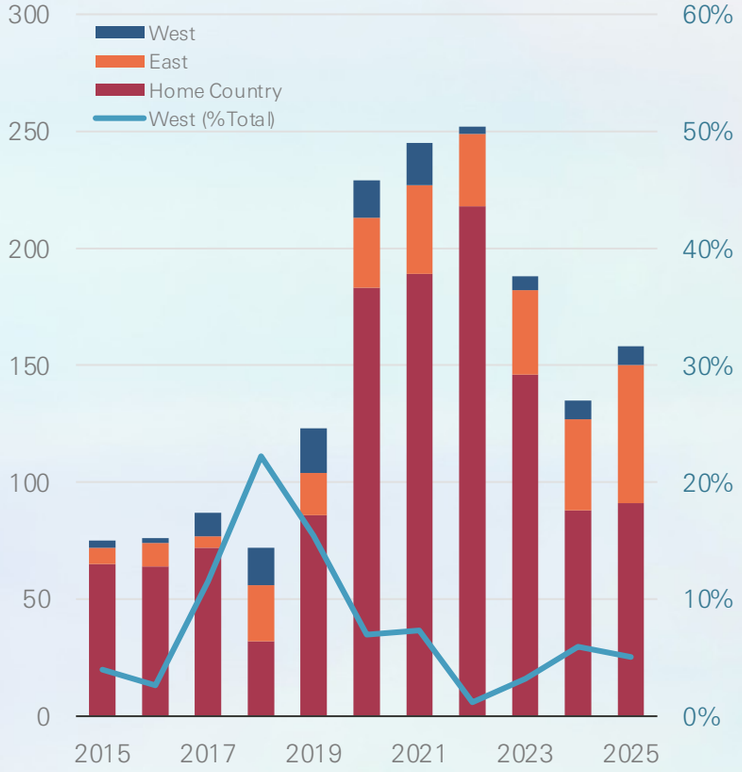
Acquisitions from West fall; IPOs in US & Europe sub-10%

USD100m+ Venture-Backed Exits by Destination: 2015-25

Acquisitions of A&ME Startups by Acquirer Location



IPOs by A&ME Startups by Exchange Location



Sources: PitchBook and HSBC Innovation Banking analysis.

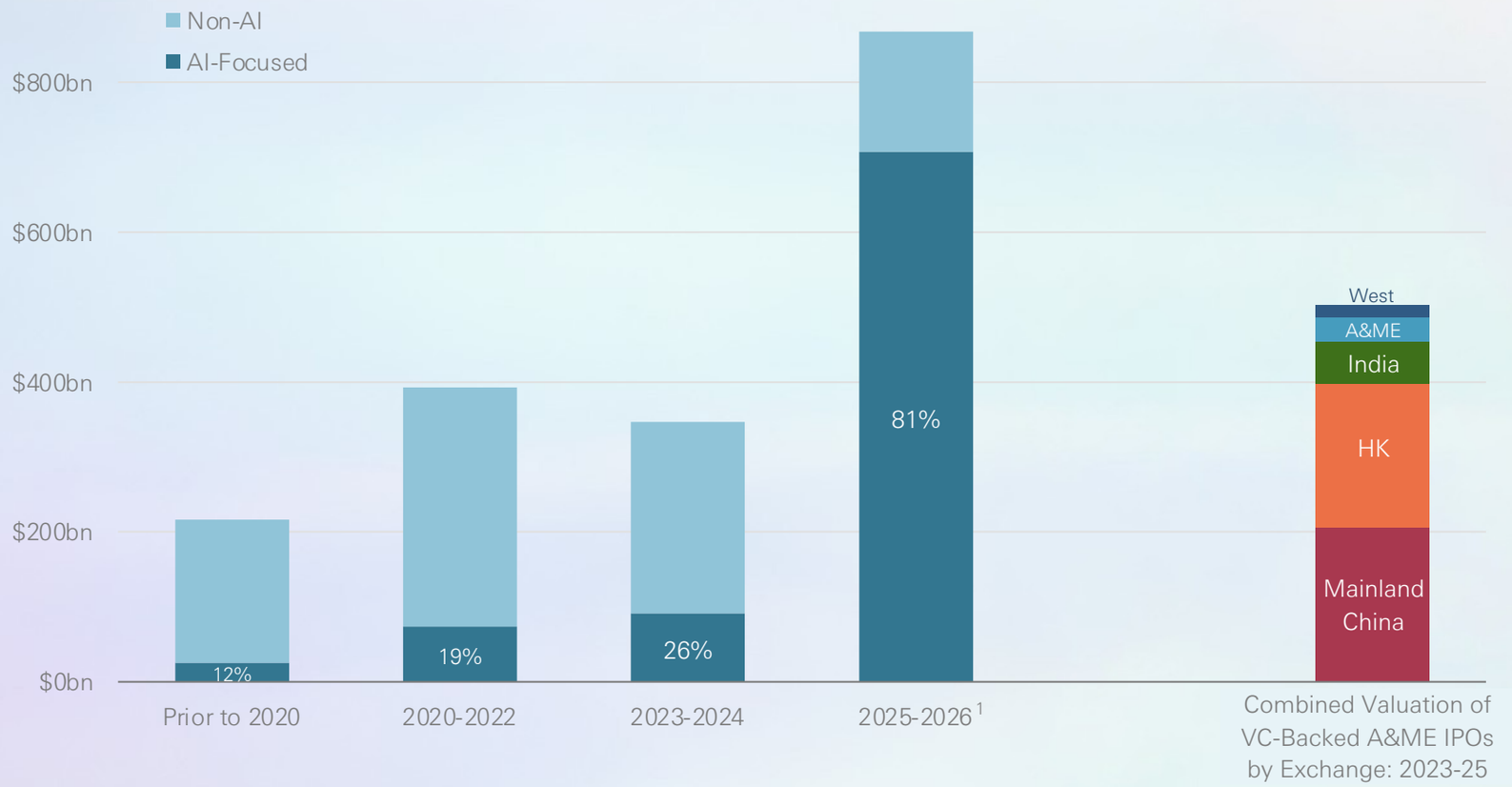
VC-Backed Exits

- Following a decade-long upward trend, 2024 saw a record share of A&ME firms acquired by Western firms, including Run:AI (Nvidia), Gracell (AstraZeneca), and V-Wave (J&J).
- In 2025, this trend sharply reversed, with Western acquirers representing fewer than 20% of USD100m+ acquisitions for the first time since 2016 from a combination of:
  - Reduced interest in foreign acquisitions by US and European firms.
  - Increased access to capital by firms in mainland China able to cross-list on the SEHK. The vast majority of listings by A&ME firms outside of their domestic exchanges, were IPOs by mainland China-based firms in Hong Kong SAR: nearly 40% of 2025 IPOs.

Latest Unicorn Financings Swing Toward AI

200+ Unicorns, USD500bn+ from pre-AI age still private

A&ME Unicorns by Year of Last Raise with Known Valuation



Note: 1) As of Q1 2026.
Sources: PitchBook and HSBC Innovation Banking analysis.

Unicorn Backlog

- Later-stage funding for unicorns is narrowing to AI-focused companies. Of the unicorns that have raised in the past year, 30% are focused on AI yet these firms represent 80%+ of aggregate value.
- Cohorts that had their last private valuation before 2023 are 4x more likely to not to be AI-focused and potentially face the greatest risk of revaluation.
- At the pace of venture-backed IPOs seen for the last three years, it may well take a decade or more for the current unicorns to be absorbed by global public markets.

AI Lookahead: Abundance Beyond Constraints

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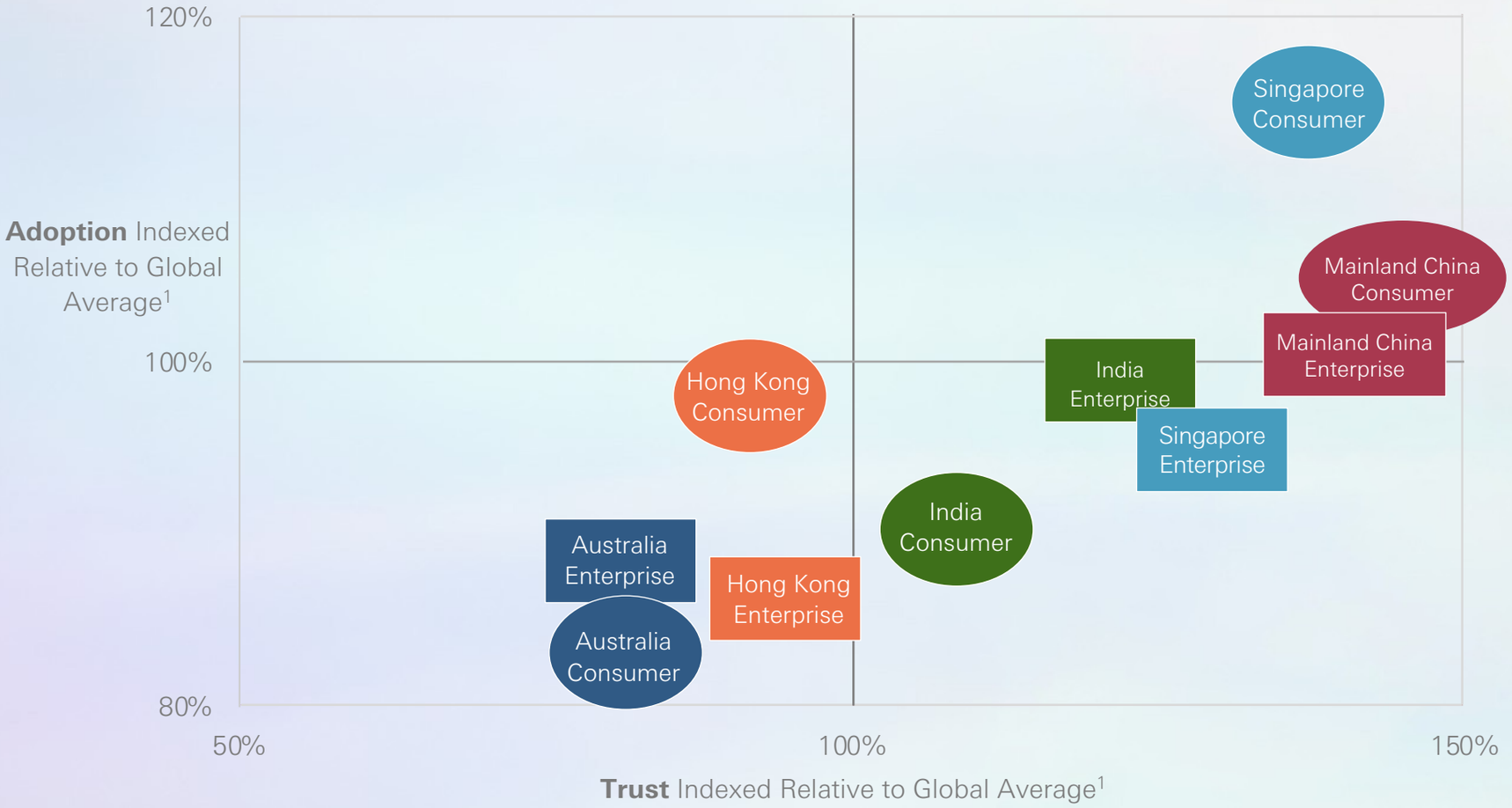
Familiarity Breeds Trust

Public sentiment and agentic adoption varies widely in APAC

Trust in AI vs. Individual and Organisational Adoption: 2025



Note: 1) Trust in AI used for Consumer, Trust in AI net job creation. Global averages from the report: Consumer Trust: 59% of respondents, Organisational Trust: 58%, Consumer Adoption: 53%, Organisational Adoption: 88%. Sources: Stanford Institute for Human-Centered AI (HAI) and HSBC Innovation Banking analysis.

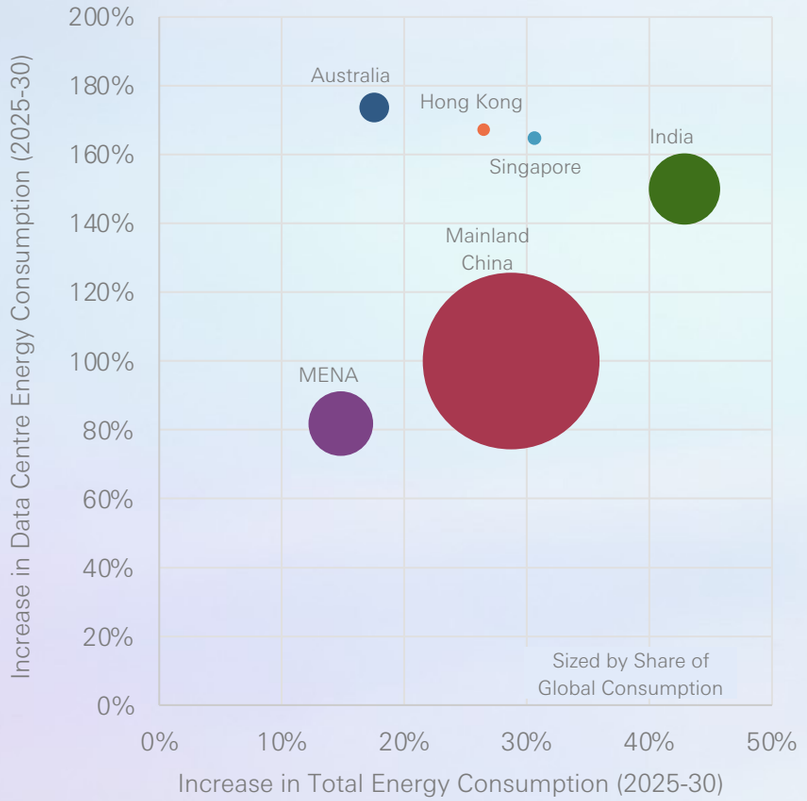
AI Adoption

- In geographies where there is higher adoption of AI usage by individuals as compared to the global averages, there tends to be higher trust of AI than those global averages.
- Singapore shows the highest level of consumer adoption with a relatively high trust in AI, in part due to several government-funded training initiatives focused on AI capabilities with a target to reach 100,000 people in 2026.
- The exception here seems to be India where adoption has increased over the past two years, but trust has actually decreased during that time. With a substantial knowledge outsourcing industry, business model disruption from agentic workflows negatively impacts sentiment.

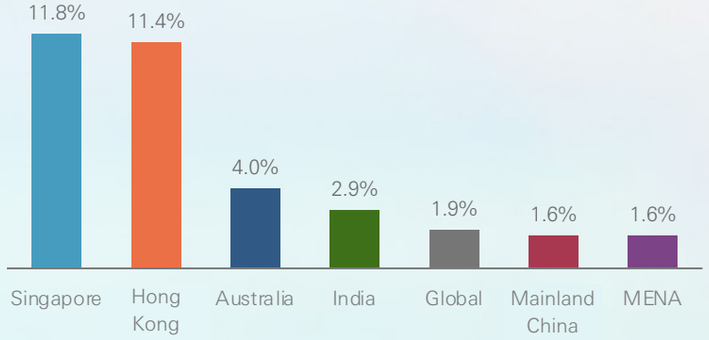
Energy Strategy
AI data centres accelerate, growth in electricity demand

Data Centre Energy Consumption Growth: 2025-30

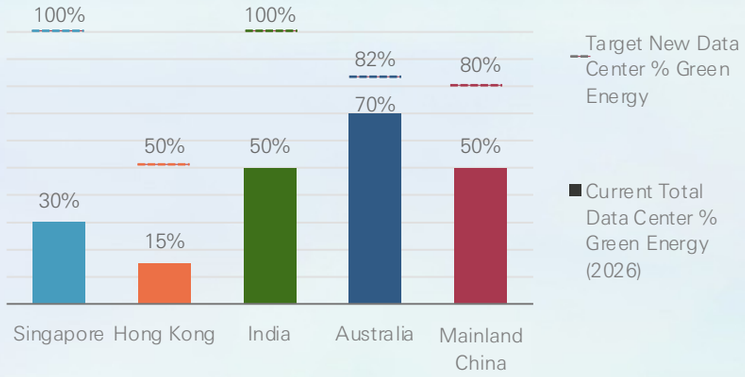
Data Centre Impact on Energy Consumption



% Total Energy Usage by Data Centres (2025)



Green AI Data Centres



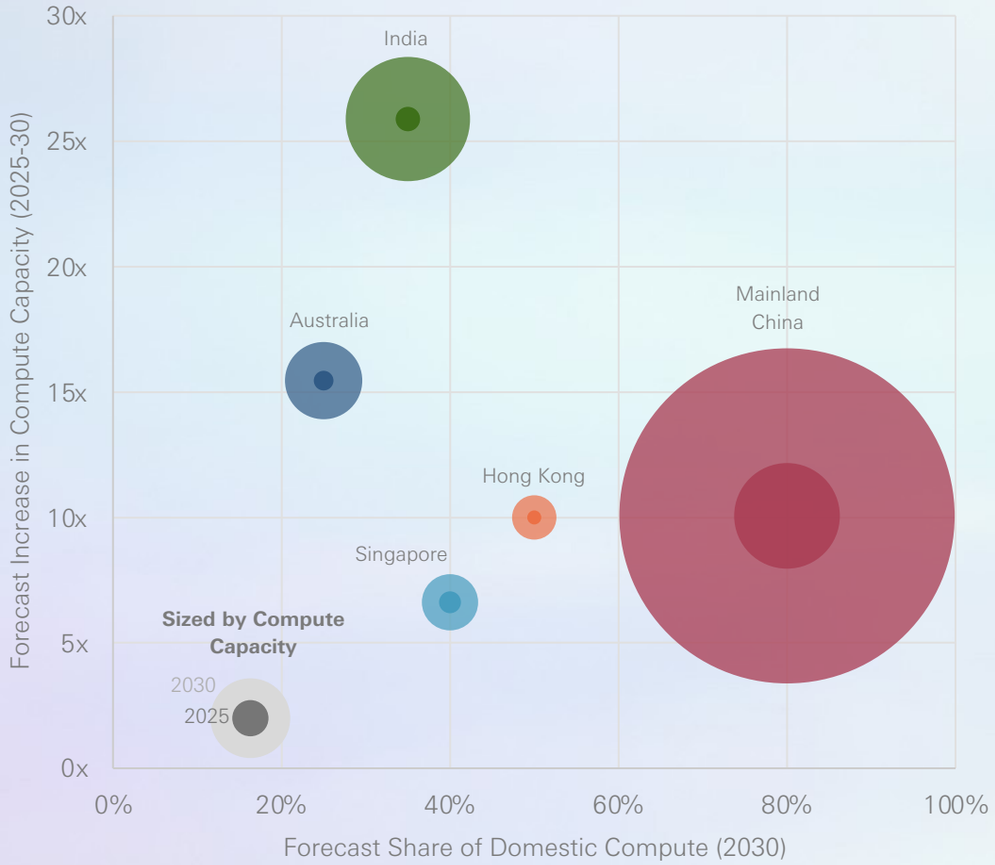
- Almost all APAC geographies forecast data centre energy consumption to at least double over the next five years as more AI infrastructure and compute are demanded by the market. The smallest landmasses that serve as international hubs are experiencing the highest impact of energy drain without space to expand.
- Australia's relative ratio of data centre compute expanding by 175% while total energy only expands by less than 20% relies on leveraging existing excess solar capacity while adding other renewable energy solutions to specifically power AI infrastructure, often "behind-the-grid."
- Whether by cost or by earthly imperative, the focus across the region is on net new data centre energy coming from renewable sources.

Sources: International Energy Agency, International Renewable Energy Agency (IRENA), US Energy Information Administration and HSBC Innovation Banking analysis.

Infrastructure Capacity as a Digital Catalyst

Racing to build domestic compute as currency in the AI age

Compute Capacity Growth: 2025-30



Capacity Approach

Country	Compute per Capita[1] 2025	2030E	Compute Ambition
India	0.1	1.4	Accelerating Convergence
Mainland China	1.1	11.6	Self-Sufficiency
Australia	2.0	28.5	Net Surplus
Hong Kong	3.7	36.8	Gateway
Singapore	11.1	70.3	Interchange

- India currently consumes nearly four-times as much compute as it has the capacity to produce internally, despite tremendous efforts to develop more domestic compute. India's "21 Year Tax Holiday" has already attracted USD125bn+ for data centres from foreign hyperscalers.
- China continues to execute on its goal of global leadership in the AI infrastructure build-out. Expanding on the *East Data, West Computing*[2] initiative, China's *AI+ Action Plan* prioritises self-reliance in the agentic and autonomous future.
- While nearly triple the cost to build and limited physical footprints, as global financial hubs both Singapore and Hong Kong SAR are focused on repurposing established infrastructure for next-generation compute requirements while accessing strategic partnerships to provide imported capacity for less sensitive compute needs.

Notes: 1) Measured in ExaFLOPS per million. 2) From the 14th Five-Year Plan. 3) From the 15th Five-Year Plan. Sources: Epoch AI, Infocomm Media Development Authority (IMDA) & National Supercomputing Centre (NSCC), The National AI Centre (NAIC) & Department of Industry, Science and Resources (DISR), Press Information Bureau (PIB) Union Budget 2026-27, Ministry of Industry and Information Technology (MIIT) & China Academy of Information and Communications Technology (CAICT), Digital Policy Office (DPO), Brookings Institute, United Nations, and HSBC Innovation Banking analysis.

Conclusion

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Final Considerations

Sovereign specialisation shaping the agentic transition

With regional innovation ecosystems transitioning into the agentic age, APAC's strategic landscape is building towards self-reliance to navigate the realigning global environment. Sovereign specialisation creates inter-dependencies in compute infrastructure, cross-border capital flows and energy production that compound the region's collective AI capabilities:

- **Infrastructure & Compute:** While mainland China leads the strategic buildout of data centre capabilities, both India and Australia are investing over USD100bn to expand domestic compute capacity.
- **Financial Capital & Access:** As liquidity and capital flows recalibrate towards regional access, Hong Kong SAR and Singapore serve as the vital monetary gateways to mainland China and Southeast Asia.
- **Electron Production & Consumption:** With regional data centre energy usage forecast to double by 2030, mainland China has been aggressively scaling its energy footprint while Australia plans to leverage renewables to position itself as a net compute exporter.

As intelligence embeds into both digital knowledge work and physical infrastructure, the region's future is structurally intertwined. Successfully transitioning the APAC innovation ecosystem towards technological abundance will depend on the collective sovereign capabilities compounding faster than any individual constraints.

100m+ **Macro:** India's market outperformance in the past decade has relied on many retail investors' first participation in equities, exemplified by the rapid climb to 100m+ Demat accounts for digitised access.

60% **Investors:** As China and India ecosystems become more self-reliant, Australian and Singaporean venture funds raise ~60% of the capital required by domestic startups, driving cross-border late-stage rounds.

30bn+ **Investment:** AI-focused firms in mainland China have raised more venture capital in 2026 in the first half than its annual totals from 2021-25, representing 70%+ of year-to-date funding in A&ME.

82% **Exits:** After a decade of steadily increasing share of venture-backed M&A activity driven by Western acquirers, more than four-in-five USD100m+ deals were made by firms based in A&ME in 2025.

4x **AI Lookahead:** India's demand for compute is 4x greater than its capacity. In an effort to ensure domestic data centre capabilities, tax incentives there have spurred USD125bn+ in commitments.

Sources: Bloomberg, Ministry of Finance Economic Survey 2025-2026, PitchBook, Press Information Bureau (PIB) Union Budget 2026-27, and HSBC Innovation Banking analysis.

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