

# The Six Little Dragons: How State Capitalism is Driving Hangzhou's Tech Boom



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## 1.0 Hangzhou: From Ancient Capital to Modern Innovation Hub

With its ancient pagodas and thriving artificial intelligence labs, Hangzhou is now a testament to its enduring power of innovation. It was once the capital of the Southern Song Dynasty (1138-1276), when it was called Lin'an (临安), this city so dazzled Marco Polo that he proclaimed it "the finest and most splendid city in the world." Today, as UNESCO World Heritage sites like West Lake and the Grand Canal witness a new renaissance, Hangzhou is reclaiming its historical role as a global center of trade, innovation, and cultural exchange. The same forces that made it medieval China's most prosperous metropolis—strategic location, openness to ideas, and systematic innovation—are now propelling it toward becoming China's answer to Silicon Valley, proving that true innovation centers are not built overnight but cultivated across centuries.

## 2.0 Beyond West Lake: Hangzhou's Journey from Cultural Heritage to Tech Innovation

For centuries, West Lake (Chinese: 西湖) served as Hangzhou's cultural heart, where the lake became associated with the two greatest poets of Middle-Period China, Bai Juyi and Su Shi. Ancient Chinese people praised the West Lake area as a land of intoxicating beauty, with its tranquil scenery providing refuge from capital politics.

Today, this same geographic blessing that once nurtured China's literary giants has transformed Hangzhou into a modern tech hub, where poetry has given way to programming code.

**Figure 1 : China's Zhejiang province and Hangzhou**



Walk through Hangzhou's tech corridors today and you'll witness this synthesis in action. Modern AI research facilities are architecturally designed to complement traditional aesthetics, while tea ceremonies still seal business deals between venture capitalists and startup founders. At Zhejiang University, students study machine learning algorithms alongside classical Chinese philosophy, creating a unique educational approach that produces technologists grounded in cultural wisdom.

This cultural preservation strategy extends to business practices. Unlike Silicon Valley's emphasis on rapid disruption and individual achievement, Hangzhou's tech ecosystem operates on traditional Chinese principles of patience, collective success, and sustainable growth. Companies like DeepSeek didn't just copy Western AI models—they innovated distinctly Chinese approaches to artificial intelligence development.

Official data shows that as of December last year, Hangzhou was home to more than 200 robotics-related companies, with the city's robotics industry output reaching 15 billion RMB (US\$2.07 billion) in 2023. In the field of artificial intelligence, in China's AI city rankings, Hangzhou was second behind only Beijing, maintaining its lead over Shenzhen for the fourth year running.

Industry experts and academics unanimously agree that Hangzhou's transformation is no coincidence. Rather, it is the inevitable result of years of groundwork, driven by the

city's deep talent pool and industrial ecosystem built during the internet boom, as well as strong policy support and a business-friendly environment.

The result is a technology hub that feels authentically Chinese while being globally competitive. Hangzhou proves that technological advancement doesn't require cultural abandonment but can be strengthened by deep historical roots, creating an innovation model that other developing nations are beginning to study and emulate.

There are three major factors that have contributed to the rise of Hangzhou as China's next Silicon Valley. They are Hangzhou's university system, its private business culture and government support.

### **3.0 The Six Little Dragons: Hangzhou's Tech Ecosystem**

Hangzhou's transformation into China's new Silicon Valley is being driven by six dynamic technology unicorns locals have dubbed the "Six Little Dragons of Hangzhou" (Chinese: 杭州六小龙).

They are the six breakthrough, cutting-edge technology companies from Hangzhou, including globally trending artificial intelligence (AI) company DeepSeek, game developer Game Science known for its hit game Black Myth: Wukong, brain-computer interface company BrainCo, spatial intelligence firm Manycore, and robotics companies Unitree and DEEP Robotics (**Table 1.**).

The Six Little Dragons are rapidly gaining prominence. Unitree Robotics, fresh off its Spring Festival Gala showcase, drew constant crowds, while DeepSeek's headquarters became such a viral attraction that Zhejiang's provincial leadership had to restrict disruptive visitor traffic. The frenzy surrounding these tech pioneers rippled across Hangzhou's innovation hubs. In Binjiang District, engineers tested robots during lunch breaks, while in Xihu District's tech park, groups of developers debated projects over fast-food meals. The city's entrepreneurial energy was palpable.

Xiang Jianping, founder of medical AI firm ArteryFlow, observed the shift firsthand. "Pre-Lunar New Year, the entrepreneurs who were feeling economic downturn were cautious—even pessimistic," he noted. "But now, they feel like the center of the universe. Suddenly, everyone is seeing lots of hope."

These companies represent the city's diverse technological prowess and collaborative innovation spirit.

**Table 1.: The Six Little Dragons of Hangzhou**

Company Name	Sector	Focus Areas
DeepSeek	Artificial Intelligence	Large Language Models, AI reasoning, open-source AI research, foundational AI models
Game Science	Gaming	Video game development, action RPGs, immersive gaming experiences (Black Myth: Wukong)
Unitree Robotics	Robotics	Quadruped robots, humanoid robots, robotic mobility, AI-powered robotics
DEEP Robotics	Robotics	Four-legged robots, autonomous navigation, robotic systems for industrial applications
BrainCo	Brain-Computer Interface	Neural interfaces, prosthetics control, brain signal processing, assistive technology
Manycore Tech	Semiconductor/Computing	Multi-core processing, parallel computing architectures, high-performance computing solutions

## **4.0 China's State-Capitalism: The Engine Behind Hangzhou's Six Little Dragons**

The meteoric rise of Hangzhou's "Six Little Dragons"—DeepSeek, Game Science, Unitree Robotics, DEEP Robotics, BrainCo, and Manycore Tech—exemplifies a unique model of China's state-capitalism. Recent successes are, as some experts argue, a result of the innovation ecosystem the Party has developed through over twenty years of policy support from district, city, provincial, and central governments. According to Shan Wei, a senior research fellow at the East Asian Institute (EAI) of the National University of Singapore (NUS), contends the Six Little Dragons that capture public attention represent merely the tip of the iceberg. The base of this tip, he argues, is constituted by the government support and Hangzhou's highly active private economy. In a survey of private enterprises initiated by the All-China Federation of Industry and Commerce, Hangzhou has ranked first for five consecutive years. Additionally, the city has held the top spot for 22 consecutive years in terms of the number of companies listed among the “Top 500 Chinese Private Enterprises”.

In the early days of China's economic reforms, Zhejiang government pioneered the “Wenzhou model”, which encouraged innovation and allowed private enterprises to flourish. When e-commerce giant Alibaba was founded in the late 1990s and faced widespread scepticism, Hangzhou's response was to provide “cautious but firm support”. When businesses encounter difficulties, “we don't have to go to the government — they come to us proactively.” — Fu Pengyu, Founder, robotics startup TruthEye.

The group of Six Little Dragons was officially "acknowledged by Chinese authorities in Hangzhou in a New Year's message for local businesses in January 2025," demonstrating explicit government endorsement. This state-backed ecosystem leverages Zhejiang University as a talent pipeline, with three of the "Six Little Dragons" founded by university alumni including DeepSeek's Liang Wenfeng, Manycore's Huang Xiaohuang and Chen Hang, and Deep Robotics' Li Chao and Zhu Qiuguo. Interestingly they were not familiar with each other. It was not until this spring that Rokid founder Zhu Mingming gathered them together for dinner at his home. Zhu Mingming said at the dinner that most of these entrepreneurs worked at Alibaba when they were young. As of September 2024, Zhejiang University had produced 102 executives among Chinese AI start-ups, ranking just behind Tsinghua University and Peking University in Beijing, and Shanghai Jiao Tong University, according to start-up data tracker Itjuzi.

Unlike pure market capitalism, China's model strategically coordinates resources—from research infrastructure to policy frameworks—creating concentrated innovation hubs. The result: companies like DeepSeek disrupting global AI markets while Unitree's robots capture international attention, proving state-capitalism's ability to systematically cultivate world-class tech champions through deliberate institutional support.

The Hangzhou city, often referred to as the PRC's "e-commerce capital" has long been a focus of Beijing's industrial policy-led growth targeting the tech sector, having set up a pilot zone for cross-border e-commerce there in 2015. Zheng Yongnian, Dean of the School of Public Policy at the Chinese University of Hong Kong (Shenzhen), pointed out that China followed a dual-track approach of government-led and market-driven forces," He added that state-led infrastructure projects have accelerated AI growth. Official data shows that in 2024, Hangzhou's "core digital economy industries" contributed 630.5 billion yuan, up 7.1 per cent year on year, accounting for nearly a third of the city's gross domestic product.

Comparing AI innovation hubs in China and the US, Zheng noted that the US has two key regions – one stretching from Silicon Valley to Texas, and another from Boston to New York. China, similarly, has two main clusters: the Yangtze River Delta region and the Greater Bay Area.

On 17 February, Chinese President Xi Jinping held a symposium with private enterprises, attended by prominent Zhejiang entrepreneurs such as Jack Ma, Wang

Xingxing, Nan Cunhui and Xu Guanju, making Zhejiang the most prominently featured province in the meeting.

## **5.0 DeepSeek Success Story: From Hedge Fund to AI Pioneer**

Originally founded in Hangzhou in 2023 Hangzhou DeepSeek Artificial Intelligence Basic Technology Research (Chinese: 杭州深度求索人工智能基础技术研究), on 20 January, the same day when Trump officially took the office as the President of the US, DeepSeek shook the tech world when it released an A.I. system that it said it had made for a small fraction of the cost that Silicon Valley companies had spent on their own. Since then, systems made by DeepSeek and Alibaba have ranked among the top-performing open source A.I. models in the world, meaning they are available for anyone to build on.

This meteoric rise of DeepSeek stems from the vision of its founder, Liang Wenfeng (**Fig. 2**), whose journey—from Zhejiang University computer science graduate to High-Flyer hedge fund founder to AI disruptor—epitomizes Hangzhou's entrepreneurial spirit. In 2023, Liang pivoted from quantitative finance to artificial intelligence, founding DeepSeek with a bold mission: challenging Western AI dominance through open-source innovation.



**Figure 2: Liang Wenfeng, Founder and CEO DeepSeek**

DeepSeek's strategic vision diverged sharply from Silicon Valley's closed-source approach. While OpenAI and competitors hoarded their models, DeepSeek embraced radical transparency, releasing DeepSeek-R1 under an MIT license. This democratized

access to cutting-edge AI capabilities, disrupting the global landscape and forcing established players to reconsider their strategies.

The company's technical breakthrough came through innovative reasoning models that rival GPT-4's performance at significantly lower computational costs. DeepSeek-R1's open architecture sparked worldwide adoption, from startups to Fortune 500 companies seeking alternatives to expensive Western solutions.

Hangzhou's ecosystem proved instrumental in DeepSeek's meteoric rise. The city's proximity to Alibaba's cloud infrastructure, abundant talent from local universities, and government support for AI research created ideal conditions for rapid scaling. From its 2023 founding to its 2025 global breakthrough, DeepSeek compressed what typically takes Silicon Valley companies years into months, establishing Hangzhou as a legitimate competitor to America's tech capital.

## **6.0 Can Hangzhou Success Story Last and Be Replicated?**

Hangzhou's Six Little Dragons have boosted China's sluggish economy, though some analysts question the sustainability and replicability of this tech boom. Cheng Yuhang noted that while robotics gained mainstream attention, limited public knowledge about technology, pricing, and applications has created "false demand," requiring careful customer filtering.

Cheng said frankly: "Right now there is public acclaim, but turning traffic into actual sales is still difficult." Capitalizing on momentum, Manycore, one of the Six Little Dragons, formally filed its IPO application to the Hong Kong Stock Exchange in mid-February. Previously, in 2021, the company attempted to go public on the US Nasdaq but abandoned the process two years later.

According to Shen Meng, executive director of Chanson & Co, Manycore's failed US listing suggests the American stock market didn't fully recognize the company's performance. With no viable IPO window in China's A-share market, Manycore is turning to Hong Kong. Shen noted that Manycore's IPO valuation and fundraising success will test the Six Little Dragons concept in capital markets. If it fails to achieve high valuation, the hype may gradually cool down.

The support of the Chinese government that played the key to these tech unicorns, however in the eyes of some investors, this background may also be an investment obstacle. According to the New York Times, unnamed entrepreneurs want to expand

overseas and attract Western capital, but the "government support" label deters Western investors.

ByteDance exemplifies this challenge - government financial support led to U.S. legal troubles and Congressional testimony for its CEO. So these entrepreneurs face a dilemma: accept government support and forfeit overseas markets, or self-fund and relocate to places like Singapore for foreign investment. Most still choose government support as the safer option.

In addition the skeptics also make the case that the chip crisis cannot be ignored. They contend that although chips developed by Chinese companies (such as Huawei) are available, there is still a significant gap compared with American chips, and it is difficult to meet the high-intensity computing requirements of artificial intelligence models.

## **7.0 Is the Hangzhou Tech Boom Just A Hype Created by The Government?**

One can argue is the Hangzhou tech boom led by the Six Little Dragons just a hype created by the government to boost the public confidence in the Chinese economy which is slowing down. Shen Meng said: "Previously, everyone was hyping up Hefei's government as the most successful venture capitalist (VC) in China. Now, all of a sudden, Hangzhou has become the country's new tech investment hub."

Shan Wei also believes that official guidance has a hand in the current tech hype, to boost public confidence in the Chinese economy. In Shan Wei's view, it remains to be seen whether the Hangzhou model can be replicated in other regions. He said it is very difficult to get the government to change its way of doing things; change does not come simply through a leader's directive, and it may be a gradual process. He said: "You never know where innovation will come from, it can't be predicted. All we can do is minimise interference and allow it to explore in various directions. Most efforts may fail, but the ones that survive are the really strong companies."

However, he underlined that the Six Little Dragons have made tangible technological advancements — for instance, DeepSeek has significantly narrowed the gap between Chinese and American AI models.



Regarding whether these recent breakthroughs signal a fundamental shift in China's technological landscape, Shan Wei believes it is too early to say. "Maybe in two or three years, if we see an explosive surge in technological advancements, we can then look back and say China has made a qualitative leap." He added that as OpenAI's ChatGPT and Elon Musk's AI ventures continue to evolve, competition in the AI sector remains intense, and the final result is far from decided.

Interestingly enough there are Western observers who also acknowledge the successes to these Chinese technological unicorns. Venture capitalist Marc Andreessen called DeepSeek's success America's new "AI Sputnik moment". Similarly, Andrew Ng (**Fig. 3**), one of the most respected voices in AI globally wrote, "when ChatGPT was launched in November 2022, the U.S. was significantly ahead of China in generative AI. Impressions change slowly, and so even recently I heard friends in both the U.S. and China say they thought China was behind. But in reality, this gap has rapidly eroded over the past two years."



**Figure 3 : AI Pioneer, Andrew Ng**

As a matter of fact, the success of Hangzhou's Six Little Dragons has sparked discussions in Guangdong, Jiangsu, Shandong, Anhui, and other provinces, where officials and business leaders are now reflecting on why their own cities do not have their own Six Little Dragons.

## 8.0 Conclusion

The meteoric success of China's "six little dragons" in AI—led by DeepSeek's breakthrough—fundamentally challenges assumptions about Chinese innovation capabilities. Government policies, generous funding and AI graduate pipelines have helped Chinese firms create advanced Large Language Models, with DeepSeek exemplifying "AI with Chinese characteristics"—a fusion of state guidance, private-sector ingenuity, and open-source collaboration.

Following DeepSeek-R1's launch, Tencent, Alibaba and ByteDance announced competing LLMs, with both Tencent and Alibaba claiming superior capabilities. Baidu's Ernie X1 now matches DeepSeek R1 at half the cost, proving China's state capitalism model produces cost-efficient innovation. The myth of China as purely an imitator must be abandoned. Chinese firms are achieving world-class AI performance while circumventing U.S. export restrictions through algorithmic innovation. This "AI with Chinese characteristics" will intensify US-China competition for AI leadership in the technology defining the 21st century."

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