

THE BIG PICTURE

Wise Road Capital's Debut

A look at the new favorite in China's chip investment space — including why the firm is drawing suspicion internationally.

BY ELIOT CHEN — AUGUST 28, 2022



Li Bin (who also goes by Brighten Li), founder of Wise Road Capital. Credit: [JLQ Technology](#).

These are turbulent times for China's top semiconductor firms and financiers. Corruption probes launched in recent weeks have ensnared senior executives at some of China's largest chip funds and firms, including [the head of](#) China's giant state-backed chip investment fund and the [ex-chief](#) of Tsinghua Unigroup, China's one-time leading chipmaker.

Against this backdrop, [Wise Road Capital](#) looks like a new favorite in China's chip investment space. The Beijing-based private equity firm recently won a competitive bidding war to bail out Unigroup, becoming a key shareholder in the financially embattled conglomerate. It's also embarked on some headline-grabbing deals overseas that dovetail with the Chinese government's industrial policy objectives.

Yet little is known about the background of Wise Road, which was founded just six years ago. Its secrecy, as well as the opacity with which it conducts its deals, is arousing suspicion in international national security circles.

This week, *The Wire* looks at [Wise Road Capital](#): the people connected to it, its activities, and why the firm is drawing suspicion.

LEADERSHIP TEAM



LI BIN (BRIGHTEN)
李滨
Founder

- Considered Wise Road's central figure, but doesn't appear on its website and is intensely private.
- Born in 1970 and graduated from Tsinghua University.
- Served as senior vice president of state-backed chipmaker SMIC between 2011 and 2015.
- Leads the Financial Information Industry Alliance (FITA), an industry group co-sponsored by the Beijing Civil Affairs Bureau which coordinates industrial planning and investment in "key technologies and core companies."



ZHANG YUANJIE (MICHAEL)
张元杰
Managing Partner

- Former managing director of the Asset Allocation Department at China Investment Corp., China's largest sovereign wealth fund.
- Earned his PhD and MBA from University of Chicago's Booth School of Business.



LOH KIN WAH (LUO JIANHUA)
罗建华
Managing Partner

- Former executive vice president of global sales and marketing at NXP Semiconductor
- Career businessperson in the semiconductor industry, previously holding positions at Infineon, Siemens, Gimonda, and Besi.



XIA XIAOYU
夏小禹
Managing Partner

- Former partner at McKinsey & Co.
- Former general manager at KKR Capstone Greater China.
- PhD from the University of Illinois at Urbana-Champaign



YEUNG FAI (YANG FEI)
杨飞
Managing Partner

- Former vice president for APAC global sales at U.S. chip company Xilinx Inc.
- Also held positions at Cypress, Freescale, LSI.
- BS in Electronics from the Chinese University of Hong Kong.

Data: Wise Road Capital, Horizon Advisory

Wise Road Capital was founded by Li Bin (who also goes by the name Brighten Li), an intensely private financier who rarely makes public appearances. Little is known about his background, except that he was born in 1970, graduated from Tsinghua University and was previously a senior vice president at [SMIC](#), the state-backed chipmaker that was sanctioned by the U.S. government and placed on the [Entity List](#) in 2020.

In an environment where the influx of state money into the chip sector has emboldened some financiers to make huge investments, observers say that Li stands out for his shrewdness. "He seems to understand the financial side of the industry better and is viewed as a more serious player," says [Paul Triolo](#), senior vice president for China at Albright Stonebridge Group, a consultancy. "Obviously [Wise Road's] investments align with [Beijing's] strategic goals, but people feel like he's also investing to try to make money."

Li is the key executive behind two private equity firms: [JAC Capital](#), which he founded in 2014, and Wise Road, which was set up the following year. Company ownership records from *WireScreen*¹ show that Li holds a minority stake in JAC and that its majority shareholder is China Investment Corporation (CIC), China's sovereign wealth fund. Li is the controlling shareholder in Wise Road Asset Management Co., the general partner of Wise Road Capital, holding a 73 percent stake.

The two private equity firms have worked in tandem on investments — most notably, the bailout of Tsinghua Unigroup at the end of last year. A consortium led by JAC and Wise Road beat out a group of formidable competitors, including Alibaba, which were all vying to acquire the [conglomerate](#), and ultimately invested \$9 billion in the conglomerate. Wise Road is far more active than JAC when it comes to striking deals overseas.

Wise Road could not be reached for comment for this story.

INVESTORS

Wise Road's limited partners include several state-backed entities, including the municipal governments of Yantai, Guangzhou, Suzhou, Chengdu and Zhuhai.

These are some of the limited partners in Wise Road:

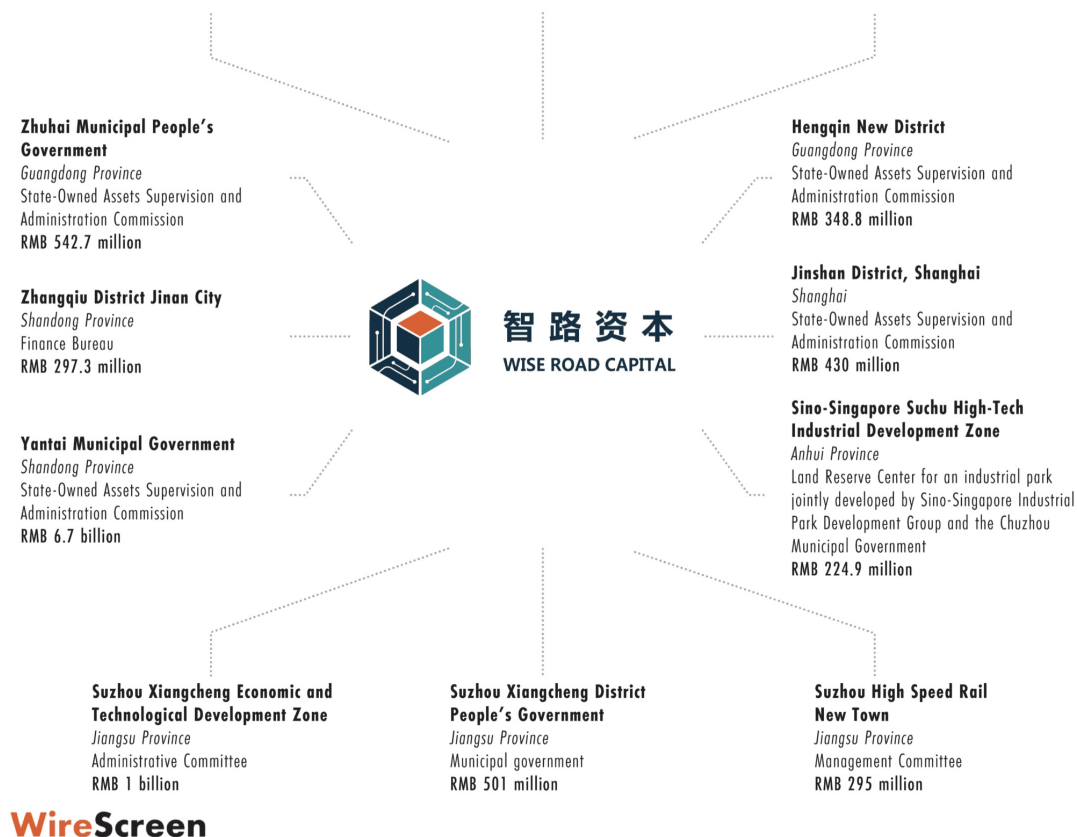
Wise Road Capital's LPs

Many of Wise Road's limited partners are government entities, including a number of local governments. Several companies in Wise Road's portfolio have later reshored production to cities whose governments are LPs in Wise Road. Note: Data as of November 2021.

Chengdu High-Tech Industrial Development Zone
Sichuan Province
Local government Finance Bureau
RMB 921.9 million

Guangzhou Development Zone
Guangdong Province
State-Owned Assets Supervision and Administration Commission
RMB 2.9 billion

Guoxiu Jinye Investment Company
Jiangsu Province
RMB 868.2 million



INVESTMENTS

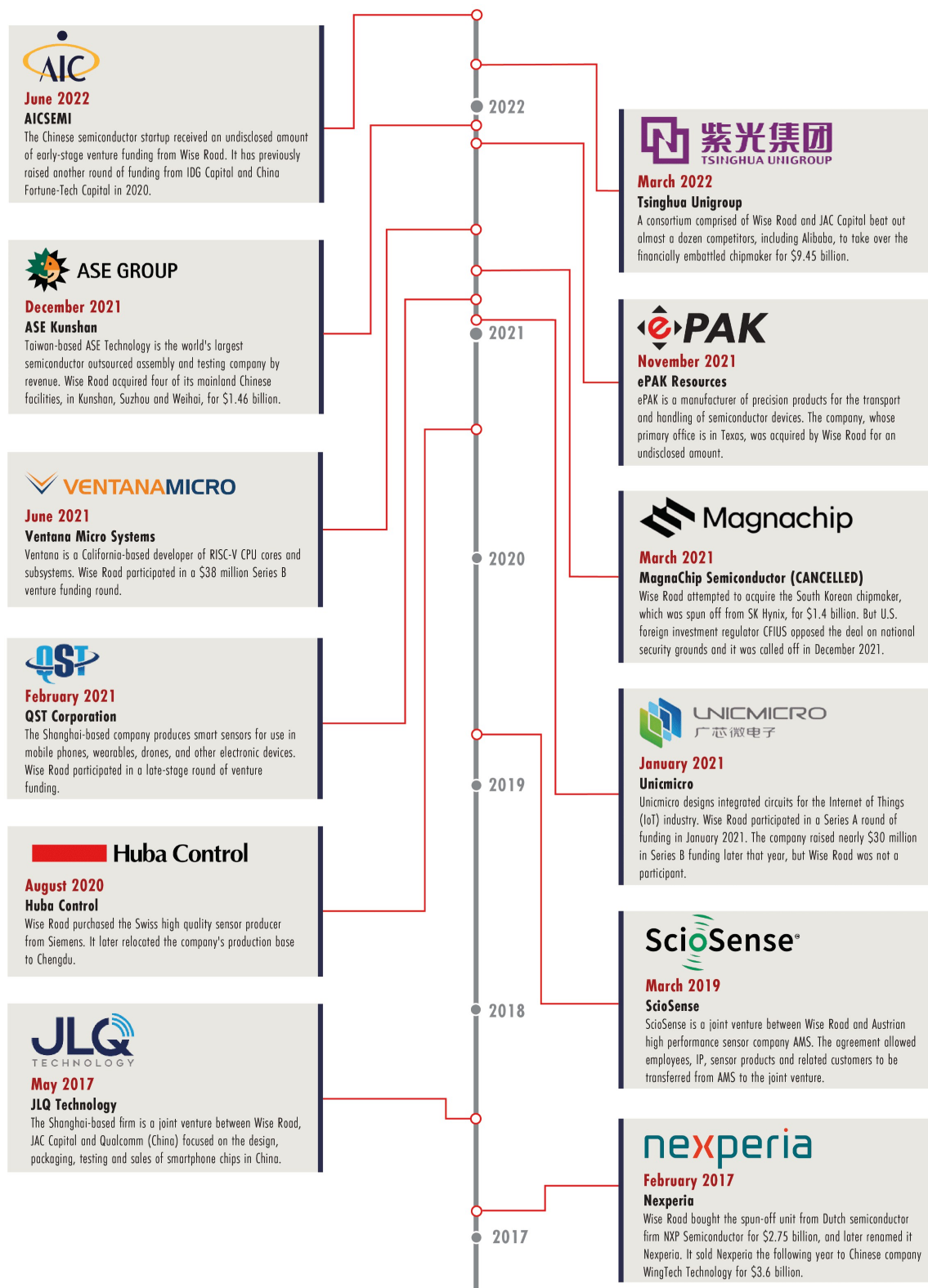
One of Wise Road's high profile deals was its 2017 acquisition of the firm now known as Nexperia. It partnered with JAC Capital to [acquire](#) a unit spun off from the Dutch firm NXP Semiconductor for \$2.75 billion. It renamed the company and then [sold](#) it the following year for \$3.6 billion to another Chinese company, Wingtech Technology. Nexperia has been in the news recently because of its [bid to acquire](#) British chipmaker Newport Wafer Fab, a deal that is currently being scrutinized by the U.K. government.

Wise Road has made a number of foreign acquisitions with the goal of reshoring production to China, often to cities where its LPs are based. In August 2020, it [purchased](#)  Singapore-based UTAC, the world's third-largest chip packing and testing company for automobiles. A month later, it signed a deal with Yantai's local government to build a UTAC plant in the city. Following a [2020 deal](#) with Siemens for Huba Control, a Swiss high quality sensor producer, it relocated production to the city of Chengdu, in southwest China.

Wise Road has also served as a conduit for overseas investment into Chinese chipmakers. In July, it [set up](#) a fund with Foxconn Industrial Internet Co. — the Shanghai-listed arm of Taiwanese iPhone contract manufacturing giant Foxconn — to invest roughly \$800 million into Unigroup. National security officials in Taipei [reportedly](#) intend to block the deal, in part out of concern about Wise Road's involvement.

U.S. regulators are also paying attention to Wise Road's activities. In March 2021, Wise Road [announced](#) a deal to acquire Magnachip Semiconductor Co., a South Korean chipmaker spun off from SK Hynix, for \$1.4 billion. Magnachip had no significant operating presence in the U.S., save for an office registered in Delaware and a listing on the New York Stock Exchange. But that was enough for the Committee on Foreign Investment in the U.S. (CFIUS), the U.S. foreign investment review committee, to [block](#) the deal after it determined that it posed "risks to national security."

These are some of Wise Road's investments:




Data: PitchBook, company press releases

ONE DEAL: ALPHAWAVE/OPENFIVE

OpenFive is a U.S. semiconductor IP developer, meaning the company doesn't physically produce any chips but it licenses intellectual property to manufacturers. OpenFive is owned by SiFive, a Silicon Valley-based provider of chip IP that utilizes a type of next-gen chip architecture known as RISC-V, which is increasingly coveted by Chinese producers.

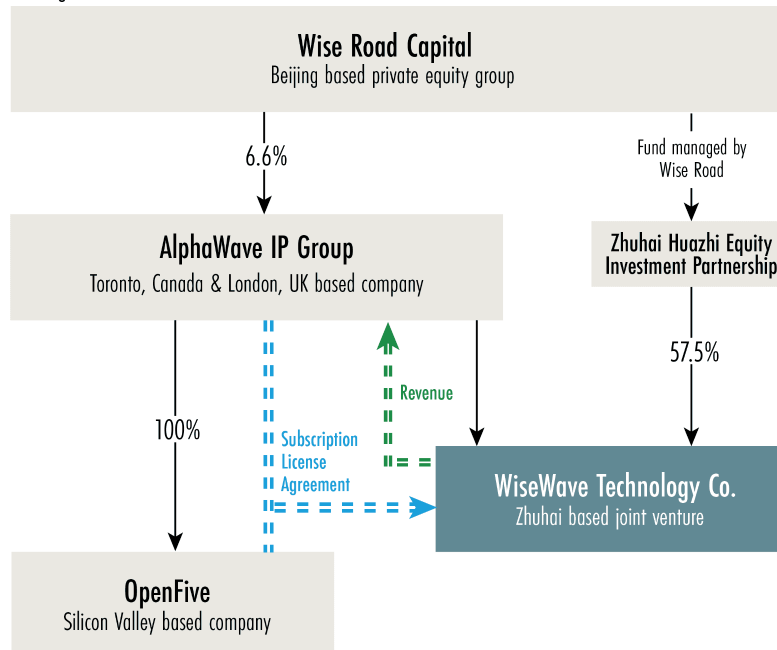
In March, SiFive agreed to sell its OpenFive unit to Alphawave, a Toronto-based, London-listed chip IP group. An Alphawave press release [boasted](#) that the OpenFive deal would “double the number of connectivity-focused IPs available to Alphawave customers.”

But the deal has drawn concern in Washington due to Alphawave’s close connections to Wise Road. AlphaWave is [engaged](#) in a joint venture with Wise Road called WiseWave Technology Co. [Described](#) as “a fabless semiconductor design company” with a [focus](#) on the mainland Chinese market, WiseWave’s website also [advertises](#) its cooperation with a leading state-owned enterprise, Zhuhai Huafa Group, and a State Key Laboratory affiliated with the University of Macao that [specializes](#) in semiconductor signal research.

WiseWave holds a license to use Alphawave’s IP for at least five years, an arrangement which has generated considerable sales for Alphawave: [60 percent](#)  of its 2021 bookings, worth \$148 million, stemmed from its license agreement with WiseWave and another Chinese reseller, VeriSilicon.²

AlphaWave’s Wise Road Connection

Wise Road holds only a small stake in Alphawave IP Group, the Toronto-based, London-listed chip IP group. But a joint venture between the two firms, through which Alphawave’s IP is licensed to Chinese chip companies, is a major source of revenue for Alphawave. Some U.S. observers are concerned that AlphaWave’s acquisition of a Silicon Valley based IP developer could lead to its coveted technology landing in Chinese hands.



Data: Capital IQ, WireScreen, AlphaWave press releases

Members of Congress fear that a takeover of OpenFive would put the U.S. firm’s IP into Chinese hands via WiseWave. In April, a group of Republican senators sent a [letter](#) to the U.S. Treasury Department urging the agency to conduct a CFIUS review of the deal. On Friday, Alphawave [announced](#) it had received regulatory approval to acquire OpenFive, including a green light from CFIUS to move forward.

“It is incredibly short-sighted to allow Chinese-funded companies to buy up American IP. These companies know only one master, and that is the Chinese Communist Party,” said Senator Marco Rubio, in a statement to *The Wire*. “CFIUS is failing. Regulators cannot treat this like a normal business transaction. This is great power competition and too many here in

the U.S. don't understand what is at risk if America loses. Unfortunately, that even includes the very people we've charged with protecting us.”

More broadly, the deal is a case study of the growing complexity in how IP transfers to China are being conducted, says [Emily de La Bruyère](#), co-founder of [Horizon Advisory](#), a consultancy that recently published a report on Wise Road.

“What this shows is that leverage and influence that can come from investments far short of majority ownership. Through a minority stake, [Wise Road] can co-opt an overseas player to serve a Chinese entity’s purpose. Our defensive regulations and policies haven’t updated for this reality.”

A spokesperson for AlphaWave declined to comment.



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COVER STORY



Date Deception

BY ELIOT CHEN

Thanks to the recent enactment of the Uyghur Forced Labor Protection Act, U.S. Customs and Border Patrol has had its hands full with imports from Xinjiang. The story of one brand of red dates, or jujubes, shows how Xinjiang companies evade scrutiny and end up on U.S. shelves.

Q & A



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BY GARRETT O'BRIEN

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