

Liverpool FC owners hire advisers after Chinese approach

By Caroline Binham and Arash Massoudi in London and Murad Ahmed in Rio de Janeiro

The US owners of Liverpool FC have appointed financial advisers after an unsolicited approach by a consortium led by Chinese investment group Everbright and PCP Capital Partners, the private equity firm founded by Amanda Staveley.

Fenway Sports Group, led by John W Henry, has hired Allen & Co, the boutique investment bank, to advise on discussions over the acquisition of a substantial stake in one of England's most storied football clubs, people close to the talks have told the Financial Times.

If a deal is agreed, it would be the most significant transaction in a long list of investments from China in European football clubs and comes as President Xi Jinping wants to elevate the status of football in China.

While the precise size and valuation of any deal under discussion is unclear, the consortium is understood to be interested in buying a large stake in the club, the people added. The consortium is structured as a partnership between Everbright, a Chinese state-owned financial conglomerate, and Ms Staveley's PCP. They are being advised by Silk Road Finance.

Earlier this week, Liverpool FC chairman Tom Werner insisted to local media that the club was not for sale. However, the FT has learnt that the approach by the consortium is being taken seriously by Fenway Sports, which also owns the Boston Red Sox, the US major league baseball team.

Ian Ayre, chief executive of Liverpool FC, said: "We have no comment. There is no bid and we have no ongoing investment discussion of any kind with anyone." Fenway



Barcelona's Arda Turan and Liverpool's Sadio Mane in action during the match between Liverpool FC and FC Barcelona, on Saturday, Aug. 6, 2016, in London

Sports could not immediately be reached for comment. Ms Staveley declined to comment.

Allen & Co declined to comment.

According to Deloitte, Liverpool is the world's ninth-richest club by revenues, with a turnover of €391.8m

during the 2014/15 season. Its revenues are set to rise this season, as all Premier League clubs will benefit from the first year of the Premier League's record £5.1bn television deal with Sky and BT.

The lucrative media rights deal has drawn a number of

international investors to Premier League clubs in recent month as well as the opportunity to push clubs in Asia, particularly China.

English Premier League side West Bromwich Albion was acquired this month by Guochuan Lai, a 42-year-

old Chinese businessman. In December, a Chinese consortium led by private equity groups China Media Capital and Citic Capital paid \$400m for the stake in City Football Group, the parent company of Manchester City, which is owned by Sheikh Mansour bin Zayed al Nahyan of Abu Dhabi. Ms Staveley advised the sheikh when he bought the club over eight years ago.

Everbright, meanwhile, alongside a Chinese media company, bought a more than 60 per cent stake in MP & Silva, the Italian sports rights company, in a deal that valued it at just over \$1bn.

In 2010, Liverpool was acquired for £300m by New England Sports Ventures — subsequently renamed Fenway Sports Group — following a legal battle over the sale with previous owners Tom Hicks and George Gillett.

Mr Henry's ambition was to

re-establish one of England's most illustrious clubs to the top of the sport. But under his leadership, the club has only once qualified for the Uefa Champions League, Europe's most prestigious competition that features the continent's top teams.

Under Fenway Sport's ownership, Liverpool came close to winning the English Premier League the 2013/14 season, ultimately slipping to second place.

After a disappointing start to last season, the club replaced Northern Irish manager Brendan Rodgers with former Borussia Dortmund coach Jürgen Klopp. Under the command of its new German manager, the team reached the Europa League final, but lost to Sevilla, which meant the club failed to qualify for the Champions League.

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Football interest would fit China Everbright's priorities

By Don Weinland in Hong Kong

The football and sports rights business is a far leap from China Everbright's origins more than three decades ago, but its interest in Liverpool FC should not come as a surprise given the financial conglomerate's recent focus on tapping into China's demand for sports entertainment.

When unit Everbright Securities in May partnered a Chinese technology group to buy a 65 per cent stake in MP & Silva, valuing the Italian sports rights company at USD1bn, the company's chief executive said it would look to harness China's vast sporting market.

"China owns billions of sports fans and its sports industry has been one of the hottest investments recently," Everbright Securities chief Xue Feng said in a statement following the deal. "We hope to seize the unprecedented opportunities brought by the rapid development of the sports industry in China."

China Everbright was set up in Hong Kong in 1983 by the Chinese government to act as a bridge for trade finance between the mainland and outside world. While it has continued to grow internationally in recent years,



Everbright remains tightly held by the Chinese state.

The Hong Kong-listed flagship company, Everbright Limited, is controlled by its mainland parent and the asset management arm of China's sovereign wealth fund, making its operations an extension of Beijing's top financial decision makers at the Ministry of Finance.

Everbright Limited had HKD54.7bn (\$7.1bn) in total assets at the end of 2015, up nearly 30 per cent from the year before. The company reported a doubling in profit attributable to shareholders to HKD5.1bn last year.

The group's chairman, Tang Shuangning, has rotated among financial regulators and state banks since the early 1980s, doing stints at China Construction Bank, China's central

bank and China's banking regulator.

Like many of its state-controlled peers, China Everbright has diversified across the financial spectrum and has big banking, broking, trust, futures, insurance and private equity businesses. Everbright Bank went public in Hong Kong in 2013 and Everbright Securities launched a USD1bn initial public offering in the city this month.

Even before its sports foray the group was increasingly looking to do overseas deals.

In June, Everbright International, another Hong Kong-listed unit, agreed to pay €123m (\$139m) for Polish waste management company Novago. Last year, it made it to the final round of bidding for German waste manager EEW, which was eventually sold to Beijing Enterprises for \$1.6bn.

The group's securities unit also expanded its offshore financial platform last year with the \$528m purchase of 70 per cent of Hong Kong-based securities house Sun Hung Kai Securities.

Everbright representatives could not be reached for comment yesterday.

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Cyber espionage: A new cold war?

By Sam Jones

This is a tale of spies, a USD500m cyber arms heist, accusations of an attempt to manipulate a US presidential election and an increasingly menacing digital war being waged between Russia and the west.

It begins with a clandestine online group known as The Shadow Brokers. There is no evidence that it existed before last Saturday, when a Twitter account in its name tweeted at a handful of leading global news organisations with an unusual announcement: it was conducting a \$500m auction of cyber weapons.

In a show of faith, the group put a selection of its wares — a 4,000-file, 250MB trove — on public display. Security analysts have been racing to go through the list but it is already clear that at least some of what has been revealed so far is real.

What is most remarkable, though, is the likely former owner of the Shadow Brokers' cyber bounty: an outfit known as the Equation Group. Equation is an elite hacking unit of the US National Security Agency. The Shadow Brokers claim that the stolen goods are sophisticated cyber weapons used by the NSA.

The Shadow Brokers' motivations are not entirely clear. "If this was someone who was financially motivated, this is not what you would do," says Orla Cox, director of security response at Symantec, a leading cyber security company. Cyber weapons are typically sold over the dark web, notes Ms Cox, or they are used by hackers who want to remain anonymous. They certainly are not advertised to news outlets. And even the best are not priced in \$500m bundles.

"It's a false flag. This isn't about money. It's a PR exercise," she says.

According to three cyber security companies that declined to be identified, the Shadow Brokers is mostly likely run by Russian intelligence. "There is no digital smoking gun," said one analyst.



Edward Snowden, the NSA contractor-turned-whistleblower

But the circumstantial evidence is compelling, analysts say. And the list of other potential nation-state actors with the capability, wherewithal and motive is short.

"The fact that the Shadow Brokers did not exist before, appeared at this time and are using intelligence that has been saved up until now suggests this is all part of some deliberate, targeted operation, put together for a particular purpose," says Ewan Lawson, a former cyber warfare officer in the UK's Joint Forces Command and now senior research fellow at RUSI, the think-tank.

"That purpose looks like it is to highlight perceived US hypocrisy," Russia, he says, is the obvious perpetrator.

Two senior western intelligence officials say their assessment was evolving but similar: the Shadow Brokers' stunt grew out of Russia's desire to strike back at the US following accusations that Russian intelligence was behind the hack into the Democratic National Committee's servers. That intrusion, and the subsequent leak of embarrassing emails, has been interpreted by some as an attempt by Russia to interfere with the US presidential election.

The US has yet to respond officially to that hack, even though they know it to be Russia, according to this narrative.

Now, with a piece of Le Carré-esque public signalling

between spymasters, Russia's Shadow Brokers gambit has made any such response greatly more complex, the officials suggest.

The US and its allies, of course, are hardly innocent of hacking. Regin, a piece of malware used to crack into telecoms networks, hotels and businesses from Belgium to Saudi Arabia — though mainly Russia — is a tool used by the US and the UK, while the Equation Group is among the most virulent and sophisticated hacking operations around.

If the warning to Washington was not being telegraphed clearly enough by Moscow, Edward Snowden, the NSA contractor-turned-whistleblower now

at the very least, Mr Snowden is an unwitting agent of Russian intelligence, if not a tool of it. "It's all part of the signalling," says one intelligence official.

"The Russians have had the initiative in this whole thing starting from even before the DNC break-in," says Jim Lewis, director of strategic technologies at the CSIS think-tank and a former US state department official. "They have the place of honour when it comes to threats to the US in cyber space right now. They've accelerated — they're much less risk averse and they're much more aggressive."

Attribution problems "Attributing" cyber attacks

An online 'auction' signals a build-up of tension between Russia and America

living in Russia, spelt it out.

"Circumstantial evidence and conventional wisdom indicates Russian responsibility," he wrote in a tweet to his 2.3m followers. "This leak looks like somebody sending a message that an escalation in the attribution game could get messy fast," he said in another.

In the US intelligence community the assumption is that,

— or identifying their source — is a thorny issue.

For cyber super powers, insiders say, it is rarely technical limitations that prevent governments from castigating attackers. The problem, an age-old one for spycraft, is that in disclosing what they know, officials may give away how they got it.

For agencies like the NSA

and UK's GCHQ there is a deeply ingrained culture of secrecy surrounding their cyber surveillance work that stretches back to the origins of signals intelligence during the second world war. US intelligence knew very quickly that the Chinese were behind the hack of the Office of Personnel Management, announced in June last year, which targeted the records of millions of Americans. But it took time to decide what the appropriate response should be and what kind of effect they wanted from it.

Outside the inner circles of the spy world, there is a growing sense that more public attribution is needed to try and put the brakes on a cyber cold war that is spiralling out of control.

"Up to now there has been a degree of approaching cyber defence one day at a time," says RUSI's Mr Lawson. "But now it's reached a momentum where people are starting to say we need to start calling people out, making more of an issue about these attacks, because otherwise, how are we ever going to establish any sort of global norms about it?"

Publicly identifying attackers can be powerful. Chinese activity against US companies decreased markedly after US authorities publicly indicted five senior Chinese military officials last year, proving to Beijing that they knew exactly what its hackers were up to — and would respond even more harshly if they continued. But the power of attribution also depends on the adversary. Unlike China, Russia does not depend economically on the US.

The Kremlin's hackers are also far stealthier. A particular trend in Russia's hacking operations in the past 18 months, says a senior British cyber security official, has been towards such "false flagging", where attacks are hidden behind proxies. The official points to an attack on the French broadcaster TV5Monde in April last year. The website was defaced with pro-Isis imagery, but it was the Russians who were responsible, he says.

Russia has become much

more aggressive in blurring other boundaries too: their cyber operations do not just exfiltrate information, they also sometimes weaponise it. Outright acts of destruction are on the table, too, as was the case when Russia took down the Ukrainian power grid in January.

If the tools are new, the techniques may not be. Philip Agee, a former CIA agent, sprang to prominence in the 1970s for publishing a series of salacious books and pamphlets claiming to expose the activities and agents of his former paymasters. He said he was a whistleblower and became a feted figure of the left in the west.

But in reality he was carefully directed by the KGB, the Soviet spy agency. Under the Russians' guidance, his output blended genuine US intelligence leaks with outright disinformation concocted by Moscow to suit its own ends. Hundreds of CIA agents were exposed by his activities.

The KGB's use of Agee was both an act of disruption and one of manipulation. It boxed in the CIA and affected their decision-making. Moscow ensured genuine agents' names were publicised at times to suit their ends.

The Shadow Brokers may be the same trick adapted to the 21st century.

Both are textbook examples of what Soviet strategists called reflexive control — a concept that has become resurgent in Russian military planning today. Reflexive control is the practice of shaping an adversary's perceptions. A state might convince an opponent not to retaliate for interfering in an election, for example, by raising the possibility of releasing information about its own tactics.

"These are old tactics," says CSIS' Mr Lewis. "The Russians have always been better at this kind of thing than us. But now, they're just able to wield them so much more effectively. They have taken tremendous advantage of the internet. Information is a weapon."

By Julie Bykowicz, Washington

USA ELECTIONS

Democratic donors step up efforts on Senate, Clinton bids

DEMOCRATIC mega-donors, including George Soros and Tom Steyer, are putting millions of dollars into efforts to put Hillary Clinton in the White House and win control of the Senate. Their investment comes as Republicans worry about not only the chances of their nominee Donald Trump, but also his effect on down-ballot races.

Yet few of the GOP's biggest donors have put major money into Trump efforts, a striking change from four years ago when Mitt Romney had more million-dollar donors on his side than did President Barack Obama. They're also not rushing to help save the Senate, based on the July reports from GOP super PACs.

The presidential candidates and many outside groups detailed their July fundraising and spending to the Federal Election Commission on Saturday. Here are some highlights:

SOROS RETURNS

Billionaire after billionaire appeared on the latest fundraising reports from Democratic super PACs.

Super political action committees face no restrictions on how much money they can take from individual, corporate and union donors. Liberals have decried these groups as bad for democracy — yet they've leaned on them to help win races, saying they don't want to disarm against Republicans.

In July alone, New York hedge fund billionaire George Soros gave USD1.5 million to Planned Parenthood's super PAC and \$35,000 to Priorities USA, both working to elect Clinton, as well as \$500,000 to the Senate Majority PAC. Other million-dollar donors to Priorities USA include the creator of diet product Slim-Fast, Daniel Abraham, and Donald Sussman, a financier who is divorcing Maine Rep. Chellie Pingree.

Soros's latest contributions bring his 2015-2016 super PAC total to more than \$14 million — a fivefold increase from his super PAC investments during the previous presidential election.

BILLIONAIRE EFFORTS

Across the country, California hedge fund billionaire Tom Steyer is feeling similarly generous.

Last month, he pumped another \$7 million into his super PAC, called NextGen Climate Action Committee. In the past two years, he has put into \$38 million into the group, which works to defeat politicians who don't believe in human-caused climate change.



AP PHOTO
Hillary Clinton speaks at a fundraiser for Democratic congressional candidates hosted by House Minority Leader Nancy Pelosi, in San Francisco

NextGen also is spending heavily to help Clinton, including by giving millions of dollars to labor union super PACs that back her.

Another billionaire with his own super PAC, former New York Mayor Michael Bloomberg, gave \$5 million in July. The group, called Independence USA, backs candidates who want stricter gun control measures.

Although that often means championing Democrats, the super PAC recently began spending to help Republican Pennsylvania Sen. Pat Toomey retain his seat in a tough contest. Bloomberg praised Toomey's support of expanding background checks as his chief motivation for doing so.

Bloomberg has also endorsed Clinton.

DAD BOOSTS SENATE BID

The Senate Majority PAC, a group with ties to Minority Leader Harry Reid, netted \$7.3 million in July — its best fundraising yet this year. One of its top donors was Thomas Murphy, a Florida construction executive whose son Patrick Murphy is likely to face off with Republican Sen. Marco Rubio. The younger Mur-

phy is a Democratic representative who had worked with his family's company before being elected to office.

Other \$1 million donors to Senate Majority PAC were the Greater New York Hospital Association Management Corporation, a network of health care facilities in the northeast, and the Laborers' International Union of North America.

On the Republican side, the Freedom Partners Action Fund is typically among the biggest groups spending in Senate races. In July, it counted a single donor, hedge fund billionaire Paul Singer. He gave \$1 million.

Freedom Partners is one of many political and policy groups steered by billionaire industrialists Charles and David Koch, who are uncomfortable with Republican presidential nominee Donald Trump and have decided to concentrate on down-ballot races. Likewise, Singer is not a Trump backer.

Singer also gave \$1 million in July to the Republican-backing Senate Leadership Fund. He was joined by Home Depot co-founder Bernard Marcus. The contributions of those two men accounted for about 80 percent of the super

PAC's July fundraising — a sign that the numerous GOP donors on the sidelines in the presidential campaign aren't all moving their money down ballot, as some had predicted.

TRUMP HELPERS

A pro-Trump group called Great America PAC landed its biggest contribution yet in July, \$100,000 from billionaire Charles Johnson, a backer of vanquished GOP Trump opponent Jeb Bush and owner of the San Francisco Giants. Great America PAC has spent about \$2 million on Trump-themed ads, most of which are aimed at getting viewers to call in to pledge money to the group.

Another Trump group, Make America Number 1, is funded exclusively by hedge fund billionaire Robert Mercer, new filings show. He gave the group \$2 million in July, making him Trump's most generous supporter yet. Mercer was a major funder of Ted Cruz, Trump's toughest opponent in the long primary race.

Mercer's impact on Trump is evident: Not only is he a super PAC donor, but he also funds Breitbart News, whose leader Stephen Bannon became the campaign's chief executive of-

■ In July alone, New York hedge fund billionaire George Soros gave USD1.5m to Planned Parenthood's super PAC and \$35,000 to Priorities USA, both working to elect Clinton

ficer this week, and Cambridge Analytica, a data company now doing business with the campaign.

PRESIDENTIAL CANDIDATES INCREASE SPENDING

Trump and Clinton accelerated their campaign spending last month, though the Republican did so far more dramatically.

New campaign documents show Trump's campaign spent \$18.5 million in July, more than double its expenditures a month earlier. Still, that's far short of the \$38 million Clinton's campaign spent last month. In June, her campaign had spent about \$34 million.

Clinton can afford to spend more: Her campaign brought in more than \$52 million in July, compared to the roughly \$37 million the Trump campaign netted. That amount includes a \$2 million donation from Trump himself.

Clinton's report shows her campaign's work to bring small donors into the fold is paying off. Her Democratic primary rival, Bernie Sanders, had strong appeal online and had routinely trounced her on the small-money front. In July, contributors giving \$200 or less accounted for \$11.4 million of Clinton's fundraising — roughly double the amount they gave her in June.

But even having raised less than Clinton overall, Trump outpaced her when it comes to small donors. Contributors giving \$200 accounted for \$12.7 million of his campaign fundraising. **AP**

Homes burned by California fire; teams look for more damage

IN the aftermath of a wildfire, somebody has to figure out exactly what burned. It's painstaking and important work that helps evacuated residents know if they lost everything or have something waiting for them when they return home.

Officials estimate that at least 105 residences and 213 outbuildings have been destroyed in the massive fire that burned ferociously through Southern California mountain communities this week and was still smoldering Saturday.

Those numbers could rise as damage assessment teams pore through the aftermath of the blaze about 60 miles east of downtown Los Angeles, Fire Marshal Mike Horton of the San Bernardino County Fire Department said. Drought conditions in California have left plenty of fuel for wildfires.

The fire sparked early last week was 73 percent contained and firefighters who were on the offensive for days were finally transitioning to mop-up phase, officials said.

Operating from a mobile command center just south of the



A chimney stands amid rubble at a house scorched by a wildfire in Phelan

58-square-mile blaze, Horton leads a team of 15 investigators, technicians, hazardous materials experts and others responsible for determining the extent and nature of the damages.

"We come in right on the heels of the fire," Horton said. "Once it's cool enough, we go parcel

-by-parcel."

Often properties are so decimated that it's difficult to know if a smoking ash heap was a home, a trailer or a water tank, he said. Technicians consult mobile computer applications that can download geographic data and county assessors' in-

formation to learn what might have been there before flames swept through. Numerous photos are taken and each "gets its own narrative" of what the team saw, Horton said.

Some evacuations remained in place but the majority of those ordered out were allowed to return over the weekend, when crews made huge gains against the blaze, fire spokesman Brad Pitassi said.

"Things are extremely positive," said Pitassi, adding that officials expect more progress and more residents returning home throughout the weekend. At the height of the fire, some 82,000 people were under evacuation orders.

Even before they go back, anxious residents can sometimes get a sense of what awaits them thanks to reports filed swiftly by the damage assessment team. The goal is to compile the data even before the fire is fully extinguished and make them available online, via phone recordings and on postings at evacuation centers.

Maps are color-coded with red areas signifying "comple-

te damage," orange describing damage between 40 and 75 percent, yellow showing damage of less than 40 percent and green meaning no damage.

"Green, you're in good shape," Horton said. "Any other color and you should be concerned."

Johanna Santore was among those left homeless. She was running an errand last Tuesday when the fire charged through her neighborhood. She tried to rush home to rescue the family's four dogs, six cats and hamster but was blocked by closed roads.

A group of animal rescue volunteers found the house in smoldering ruins — with no signs of the pets.

"I'm actually feeling numb," said Santore, who fled with her husband and granddaughter to an evacuation center. "It's like a nightmare."

A prolonged drought has transformed swaths of California into tinderboxes, ready to ignite. Six other wildfires were burning in the state, including a blaze in rural Santa Barbara County that prompted the evacuation of a pair of campgrounds and another in San Luis Obispo County that forced the closure of the historic Hearst Castle on Saturday.

Fire officials say the fire, which grew to more than 26 square miles since it ignited a week ago, is about 3 miles from the hilltop estate overlooking the Central Coast. AP

ASK THE VET

By Dr Ruan Du Toit Bester



6 COMMON MISTAKES WHEN POTTY TRAINING KITTENS

THERE are a whole host of mistakes one can make while potty training kittens. Raising kittens is not an easy task, especially if the kitten was not given the opportunity to learn from his mother. Usually with litter training, kittens learn by imitating their mother. However, the owner can accomplish kitten training as well.

Some of the common mistakes to avoid are:

MISTAKE #1: DIFFICULT TO USE LITTER BOX

Some owners get a litter box that does not suit a kitten. Either the litter box has too high of walls for the kitten to jump in or does not have enough room for the kitten to turn around.

MISTAKE #2: TOO MANY SCENTS

A kitten is sensitive to odors. Do not use scented litter boxes or scented litter. These may be pleasant for the owner but not for the kitten. Too many scents may actually confuse the kitten and result in "potty" accidents. Be especially careful in using cleaners, such as Clorox or ones containing ammonia, since they have a similar scent to urine and may cause the kitten to urinate in the newly cleaned area. The kitten may

be confused as to thinking that this is where he is to eliminate or may try to re-mark his territory.

MISTAKE #3: NOT CONFINING THE KITTEN

Allowing the kitten full run of the house gives him too many places to eliminate and can be distracting to him. Confine him to a small room (where you can monitor him) with his litter box, fresh water and toys. This is important, especially if he is not getting the idea of using a litter box.

MISTAKE #4: NOT KEEPING THE LITTER BOX CLEAN

Cats and kittens will not use heavily soiled litter boxes. Though it is advisable to allow the scent of urine to remain in the litter box while training the kitten that the litter box is the place to go, the litter box should not be heavily soiled, especially since this can create health issues.

MISTAKE #5: THE LOCATION OF THE LITTER BOX

Locate the litter box in a low traffic area since cats and kittens prefer privacy. A corner of a room is usually the best place. Do not keep re-locating the litter box either. Do not place the water and food



bowls next to the litter box. If it is a large home or if there are many kittens and cats, it is advisable to have more than one litter box in various areas of the home.

MISTAKE #6: PUNISHING ACCIDENTS

Remember when litter training kittens, there are bound to be some accidents. Do not punish the kitten with a raised voice or by rubbing his nose in the accident. This will only instill fear. Tell him "No" in an unhappy voice but do not yell. Observing the kitten can prevent accidents. Whenever he scratches the floor with his paw, goes to a corner or begins to squat, quickly pick him up and place him in the litter box. After he has gone, praise him.

Usually kittens have to eliminate after eating and after awaking from a nap so it is good time to take him to visit the litter box at these times.

Hope this helps
Till next week
Dr Ruan

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