

## **CHINESE BOXES**

*Luca Chianca*

*Contributor: Alessia Marzi*

## **LUCA CHIANCA OFF-SCREEN**

9 May 2018: the Olympic Stadium is home to Italian Cup Final between Juventus and Milan.

## **LUCA CHIANCA**

Is everything OK? Senator, I'm Chianca from Report. How are you? Today is a great day for you ...

## **ADRIANO GALLIANI - CEO AC MILAN 1986-2017**

Sure.

## **LUCA CHIANCA**

Who will win?

## **ADRIANO GALLIANI - CEO AC MILAN 1986-2017**

I never make predictions.

## **LUCA CHIANCA**

Your old club Milan...?

## **ADRIANO GALLIANI - CEO AC MILAN 1986-2017**

I'm still superstitious.

## **LUCA CHIANCA OFF-SCREEN**

Yonghong Li is arriving from China. The new president of Milan Football Club who in just one year has taken Milan to a cup final.

## **SIGFRIDO RANUCCI IN THE STUDIO**

UEFA - the body governing European football - a few days ago put AC Milan "on trial"; its accounts are rather creaky and that is why the club risks exclusion from European competitions. Huge damage to image even for Italian football as a whole. This entrepreneur - Mr. Li - to whom Berlusconi entrusted "his" Milan after 31 years in April 2017 - is proving not to be very reliable. But why did a financial wizard like Berlusconi choose Mr. Li? Those who went to look for him in the offices of one of his companies found an eviction order and worms in the rubbish bins; the offices were entirely abandoned. Now, something has to be done to save Milan. Everything revolves around a bridging loan from the Elliott fund granted in exchange for pledged shares in AC Milan; this operation was managed by two financiers from Naples. Who are they? Our Luca Chianca set out on the money trail.

## **GIAN GAETANO BELLAZIA - MONEY LAUNDERING EXPERT**

Milan has lost an average of 90 million euros a year over the last three years - a huge amount of money.

## **LUCA CHIANCA**

How did Milan keep going in this period?

## **GIAN GAETANO BELLAZIA - MONEY LAUNDERING EXPERT**

Well ... Fininvest has forked out 650 million euros over the years.

### **LUCA CHIANCA OFF-SCREEN**

Fininvest is in trouble and to stay on its feet is obliged to sell. The first thought went to Milan, since its destiny seems to be linked - double-edged - with the political future of its owner.

### **SILVIO BERLUSCONI - 30 MARCH 2006**

There was not much difference between Forza Italia and Forza Milan because Milan also had an important mission: to become the top team in the world and in terms of international trophies we succeeded.

### **LUCA CHIANCA OFF-SCREEN**

The decline of the politician was accompanied by the economic decline of the football club, which accumulated losses of about 90 million euro every year.

### **GIAN GAETANO BELLAVIA - MONEY LAUNDERING EXPERT**

Fortunately, a Chinese guy arrived. Someone arrived with a cloud of offshore companies around them that sent money from the Caribbean allowing Fininvest to significantly reduce its debt: in 2016, bank indebtedness fell from 275 million euros to 25 million euros.

### **LUCA CHIANCA**

Less than 200 million.

### **GIAN GAETANO BELLAVIA - MONEY LAUNDERING EXPERT**

Less than 250 million, if I explain myself, but above all it helped stop the losses.

### **LUCA CHIANCA OFF-SCREEN**

The man who solved the financial troubles of the Berlusconi family holding company is Yonghong Li, a Chinese from Guangdong who lives in Hong Kong.

### **LI YONGHONG - PRESIDENT AC MILAN**

Forza Milan.

### **LUCA CHIANCA OFF-SCREEN**

Milan presented him to the press as the majority shareholder of China's largest phosphorus mine. But the spell was broken by The New York Times.

### **SUI-LEE WEE - BEIJING CORRESPONDENT - THE NEW YORK TIMES**

We went to the head offices of his company. We found abandoned premises with an eviction notice stuck to the entrance and even worms in the rubbish bins.

### **LUCA CHIANCA OFF-SCREEN**

Here are the images of the company offices shot by Ryan McMorro for The New York Times.

### **SUI-LEE WEE - BEIJING CORRESPONDENT - THE NEW YORK TIMES**

In short, I mean, is tis really the company that bought AC Milan! We asked around and nobody even knew who this Yonghong Li was.

### **MARIO GEREVINI - JOURNALIST - CORRIERE DELLA SERA**

A kind of UFO, an unidentified flying Chinaman, an entrepreneur who - with estimated

assets of 500 million - carried out an operation involving one billion.

**LUCA CHIANCA OFF-SCREEN**

The Berlusconi family sold Milan to Rossoneri Sport Investment, which has its headquarters in Luxembourg, in this building.

**RECEPTIONIST**

This is only its tax domicile, there are no offices physically speaking.

**LUCA CHIANCA**

Thank you and Rossoneri Champion?

**RECEPTIONIST**

Sir, I am not authorized to give you another further information.

**LUCA CHIANCA OFF-SCREEN**

Buying Milan saw 740 millions paid into the coffers of Fininvest. The first advanced payment of 100 millions to fix operation dates back to August 2016; in December of the same year, another 100 millions came from Willy Shine in the British Virgin Islands, and in February 2017 another 100 millions of which 50 from Rossoneri Advance again based in the BVI tax haven.

**LUCA CHIANCA**

And the origin of the money is disguised?

**GIAN GAETANO BELLAVIA - MONEY LAUNDERING EXPERT**

Of course, here's money that has to arrive ...

**LUCA CHIANCA**

In Milan.

**GIAN GAETANO BELLAVIA - MONEY LAUNDERING EXPERT**

In Milan, it arrived in Milan. Could this money have come from Beijing? Of course it had to come from Beijing. It's pointless to try and understand who is behind it. It's simply not possible.

**LUCA CHIANCA OFF-SCREEN**

Fininvest was flanked in the sale by the Lazard merchant bank, while Mr. Li was with Rothschild. The vice president in London is Paolo Scaroni, a former Eni executive always close to Berlusconi; today, after the sale, he is a board member of the new Chinese AC Milan. Yet nobody has raised any critical issues about the financial strength of Mr. Li.

**MARIO GEREVINI - JOURNALIST - CORRIERE DELLA SERA**

Mr. Li had serious problems in China with one of his holding companies, one of those he presented on the negotiating table ...

**LUCA CHIANCA**

As a CV, right? To get hold of AC Milan ...

**MARIO GEREVINI - JOURNALIST - CORRIERE DELLA SERA**

... as a credential. Only that this holding company - while he was buying Milan - was already in serious trouble, creditors were on his coat tails because he had not repaid

debts and in the end it went bankrupt ...

**LUCA CHIANCA**

This was only a few months ago.

**MARIO GEREVINI - JOURNALIST - CORRIERE DELLA SERA**

Yes, all this happened last month.

**SUI-LEE WEE - BEIJING CORRESPONDENT - THE NEW YORK TIMES**

I wonder who carried out the due diligence on Mr. Li's companies. Assuming that there was one!

**LUCA CHIANCA OFF-SCREEN**

Mr. Li who had a different opinion last February when he recorded a message for Milan fans.

**LI YONGHONG - PRESIDENT AC MILAN**

From the day I bought Milan, I've encountered many difficulties and suffered unprecedented pressure, according to these documents and irresponsible journalism reports. I would like to reassure the environment around the team. The situation regarding my personal resources is completely healthy.

**SUI-LEE WEE - BEIJING CORRESPONDENT - THE NEW YORK TIMES**

Another very strange aspect of the acquisition is the loan financed by the Elliott Fund, officially to avoid the Chinese government's restrictions on outgoing capital. Yet the interest rates are very high at around 11%.

**LUCA CHIANCA OFF-SCREEN**

After handing over the first 300 millions to purchase Milan, the Chinese buyer has encountered difficulties in settling the bill with Fininvest, which is currently fighting Vivendi's hostile takeover of Mediaset. Providence for Berlusconi family businesses, as well as for Mr. Li, came in the shape of the Elliott Fund, which lent 303 million euros to the Chinese.

**MARIO GEREVINI - JOURNALIST - CORRIERE DELLA SERA**

In the Milan affair, Elliott gave a hand to the Chinese and indirectly another to Fininvest, i.e. by indirectly helping to close - after two years of toing-and-froing - the Milan operation, thereby ensuring a large income for Fininvest giving the group some breathing space.

**LUCA CHIANCA OFF-SCREEN**

However Mister Li, to obtain the loan, was forced to pledge all the shares in AC Milan. If he proved unable to return the money, Elliott would become the new owner of Milan, paying half the sales price. If he did not have the money, why did Mr. Li embark on such an adventure?

**CARLO FESTA - JOURNALIST - IL SOLE 24 ORE**

Good question. Either he had a particular financial plan that then went bottom up or he had certain persons he represented who did not want to be initially named in the operation only then, as time passed, they decided to stay in the background - so he was just a figurehead.

**LUCA CHIANCA OFF-SCREEN**

The real directors of Elliott Fund that moved in to help the Chinese buyer and AC Milan are two financiers from Naples - Gianluca D'Avanzo and Salvatore Cerchione - based in London who began their ascent in the financial world ten years ago with the management of health credits in the Campania Region. One of their former members of staff is on the telephone.

**FORMER COLLABORATOR OF BLUE SKYE ON THE TELEPHONE**

The paid advances on health care invoices since the authority pays after three years, or two years depending on the type. So, we can say that the business is still the same: providing money to those who do not have any ready cash.

**LUCA CHIANCA**

And consequently making big money thanks to this loan or advance?

**FORMER COLLABORATOR OF BLUE SKYE ON THE TELEPHONE**

Sure But this, unfortunately, are public administration invoices with legal interest of 9%.

**LUCA CHIANCA**

How did they get hold of them? Why did they become involved in such an operation through an American fund?

**FORMER COLLABORATOR OF BLUE SKYE ON THE TELEPHONE**

As I saw things, they handled the transaction like, shall we say, agents and Elliott put up the money.

**LUCA CHIANCA OFF-SCREEN**

The two financiers have also acted to help the prestigious bar favoured by Hemingway - Harry's in Venice - owned by the Cipriani family out of trouble. In 2012, it was at risk of closing its doors. Today D'Avanzo, Cerchione and Cipriani sit on the various boards of directors of group companies running restaurants around the world. This is C, the London restaurant in the Mayfair district.

**LUCA CHIANCA**

I was looking for D'Avanzo or Cerchione.

**EMPLOYEE OF C IN LONDON**

Just a moment, do come in. One at a time. I'll go and see where Gianluca and Salvatore, I'm not sure They aren't here. Did you have an appointment here? No?

**LUCA CHIANCA**

No, I'm looking for them from Italy but they do not answer my emails and I don't know what else to do.

**EMPLOYEE OF C IN LONDON**

Ah ok, but can I help you?

**LUCA CHIANCA**

I'm looking into the sale of Milan Football club I wanted to hear what they have to say.

**EMPLOYEE OF C IN LONDON**

Yes, I will be in touch with them in the afternoon. And I'll see if they can call you?

**LUCA CHIANCA**

And Giuseppe Cipriani?

**EMPLOYEE OF C IN LONDON**

Giuseppe has just opened in Riyadh so he's probably there. He will move very soon to Ibiza for the summer.

**LUCA CHIANCA**

Where his partner Minetti lives?

**EMPLOYEE OF C IN LONDON**

Precisely.

**LUCA CHIANCA**

Can you call her?

**EMPLOYEE OF C IN LONDON**

I'll call her anyway.

**LUCA CHIANCA OFF-SCREEN**

The two financiers from Naples prefer not to speak with us. Their partner Giuseppe Cipriani is the companion of Nicole Minetti, the former regional councillor of Lombardy who was recently convicted on appeal for aiding prostitution through her role in Berlusconi's bunga-bunga parties. Her instagram profile tells us that she moved from the benches of the Lombardy Region Parliament on to her passion for music, including New York, Milan and Ibiza.

**GIAN GAETANO BELLA VIA - MONEY LAUNDERING EXPERT**

Behind the guys from Naples there is the entire offshore world, Milan has nothing to do with things here, right? Yet guys from Naples work through Blue Skye here and also elsewhere. And what's behind Blue Skye? They are all offshore companies based in Guernsey, Jersey and Luxembourg, which - given its structure - is an offshore jurisdiction.

**LUCA CHIANCA OFF-SCREEN**

In Luxembourg, D'Avanzo and Cerchione are the directors of Cipriani International SA, which has its head offices in this building. We met one of the other directors.

**RENO MAURIZIO TONELLI - BOARD OF DIRECTORS CIPRIANI INTERNATIONAL SA**

I can't deny that I know D'Avanzo and Cerchione but we have no contact at all because they are on the board of directors and that's all; they do their things and then we prepare the company's accounts. I do not know if you are recording this. Are you recording?

**LUCA CHIANCA**

Yes we are recording.

**RENO MAURIZIO TONELLI - BOARD OF DIRECTORS CIPRIANI INTERNATIONAL SA**

Oh, well.. . I have nothing to hide here, it doesn't really bother me.

**LUCA CHIANCA**

I do not have anything to hide either.

**RENO MAURIZIO TONELLI - BOARD OF DIRECTORS CIPRIANI INTERNATIONAL SA**

Carry on, it's not a problem. We provide administrative services.

**LUCA CHIANCA OFF-SCREEN**

And it is again in Luxembourg where the Project Redblack company was set up, owned by Blue Skye Luxembourg of D'Avanzo and Cerchione and two anonymous companies from Delaware that report to the American Fund. Project Redblack is the vehicle used for the 303 million loan to Mr. Li and AC Milan and is based in this building.

**MAN**

I've never heard of Blue Skye here.

**LUCA CHIANCA**

And Project Redblack?

**MAN**

Are you sure it's based here?

**LUCA CHIANCA**

Sure.

**LUCA CHIANCA**

Gianluca D'Avanzo and Salvatore Cerchione?

**MAN**

As far as I know there are surely no Italians here.

**LUCA CHIANCA**

Project Redblack is one of the companies behind the AC Milan sale, so you ... never heard anything?

**MAN**

No, unfortunately not.

**GIAN GAETANO BELLAVIA - MONEY LAUNDERING EXPERT**

The real question is: why does all this money come from jurisdictions that guarantee corporate anonymity? And the answer is: because someone wants to remain anonymous.

**LUCA CHIANCA**

And nobody knows who the real owner of AC Milan is.

**CARLO FESTA - JOURNALIST - IL SOLE 24 ORE**

And nobody knows who the real owner of AC Milan is.. right, correct. And the Milan prosecutor's office - on the recommendation of the Bank of Italy - has effectively opened an investigation currently without suspects and without criminal implications precisely to discover the origin of this money.

**LUCA CHIANCA OFF-SCREEN**

Even the new Commissioner of the FIGC (Italian Football Association) a few months ago expressed his concern over the grey areas surrounding the purchase of AC Milan.

**ROBERTO FABBRICINI - SPECIAL COMMISSIONER FIGC**

Initially, I said I was a little worried.

**LUCA CHIANCA**

Are you worried?

**ROBERTO FABBRICINI - SPECIAL COMMISSIONER FIGC**

I was. The wrath of God happened.

**LUCA CHIANCA**

A large portion of the money came from tax havens: we are talking about operations totalling 700 millions and more, almost one billion.

**ROBERTO FABBRICINI - SPECIAL COMMISSIONER FIGC**

You understand that it is an extremely delicate subject.

**LUCA CHIANCA**

But it is essential that you verify where the money came from. This is the problem. Nobody knows where the money came from.

**ROBERTO FABBRICINI - SPECIAL COMMISSIONER FIGC**

Ok, that's fine, Work well.

**LUCA CHIANCA**

Goodbye and thank you.

**LUCA CHIANCA OFF-SCREEN**

The solidity of the impenetrable Mr. Li is made even more shaky by a loan of 8.3 million dollars he obtained a few months after the purchase of AC Milan. It was issued by a small company based in the Cayman Islands: Teamway.

**ALESSIA MARZI**

What interest rates does the loan involve?

**DAVID WEBB - INDEPENDENT FINANCIAL ANALYST - WEBSITE.COM**

Interest has gone up to 24%. Initially it was 14%. This means that Mr. Li's situation is desperate. If he was unable to find a more advantageous source of finance.

**ALESSIA MARZI**

What kind of guarantees did Teamway ask Mr. Li for this loan?

**DAVID WEBB - INDEPENDENT FINANCIAL ANALYST - WEBSITE.COM**

I don't think they asked for many. They have small shareholdings in Mr. Li's company in the British Virgin Islands, although the chain of companies may well eventually show up in AC Milan's equity. Really strong guarantees are in the hands of who lent money to the companies in Luxembourg: the Elliott Fund.

**LUCA CHIANCA OFF-SCREEN**

But just who are the two financiers who came to Milan to rescue Mister Li? Reading

their curriculum, contacts with Berlusconi's world emerge: the pair have worked in companies where Paolo Andrea Colombo was mayor, the former director of Publitalia and Mediaset, but above all they had close links with the financial company Sopaf, where the man who managed AC Milan for 31 years was involved: Adriano Galliani.

**LUCA CHIANCA**

So who is behind the Elliott Fund? Do you know the two guys from Naples in London? Were you involved in Sopaf, a company that founded Blue Skye, which is their company. Do you know D'Avanzo and Cerchione? Senator, senator.

**LUCA CHIANCA OFF-SCREEN**

Last Tuesday, after a month of contacts with the company, we had set a meeting to interview Marco Fassone, the new CEO, who took over precisely from Galliani as leader of the club. But a few days beforehand ...

**AC MILAN PRESS OFFICE ON THE TELEPHONE**

Fassone can no longer do the interview. The owners, since we are virtually only a few days away from the UEFA verdict, in addition to the refinancing issue, have asked managers to avoid any kind of exposure regarding these issues.

**LUCA CHIANCA**

Well, let's say that everything was already very well known in these days, it's not as if who knows what has changed.

**AC MILAN PRESS OFFICE ON THE TELEPHONE**

Listen, it's not like we can go and tell President Yonghong Li: "By the way, sorry, these are all well-known things". He is the owner.

**LUCA CHIANCA OFF-SCREEN**

Whether Mr. Li is effectively the owner of AC Milan is a question also asked by the President of the anti-mafia commission of Milan City Council. The tender procurement code and anti-money laundering regulations envisage that the effective owner must be known of companies obtaining concessions from the public administration, such as AC Milan, which for using the San Siro Stadium pays almost 7 million euros a year to the City Council.

**DAVID GENTILI - PRESIDENT ANTIMAFIA COMMISSION - MILAN CITY COUNCIL**

Who we are talking with, who signs the contracts, concessions and authorizations must all be known. So for AC Milan, as for all other companies, we have to ask who the effective owner is.

**LUCA CHIANCA**

Did Milan City Council do so?

**DAVID GENTILI - PRESIDENT ANTIMAFIA COMMISSION - MILAN CITY COUNCIL**

Not at present, as far as I know.

**LUCA CHIANCA**

Should it do so?

**DAVID GENTILI - PRESIDENT ANTIMAFIA COMMISSION - MILAN CITY**

## **COUNCIL**

In my opinion, it is an obligation since Milan cannot think of signing an agreement with someone who negotiates on behalf of someone else you don't know. It's as if we were sitting opposite someone wearing a balaclava.

## **LUCA CHIANCA OFF-SCREEN**

We asked Milan City Council for an interview.

## **MILAN CITY COUNCIL PRESS OFFICE ON THE TELEPHONE**

Unfortunately we cannot arrange an interview, we have too many overlapping commitments, we simply cannot do it.

## **LUCA CHIANCA OFF-SCREEN**

The wrote to us by email saying that the Council does not have the right or the tools to carry out verification of the effective owner of the company and that no anomalies have arisen because no cash transfers were involved in paying the concession fee.

## **DAVID GENTILI - PRESIDENT ANTIMAFIA COMMISSION - MILAN CITY COUNCIL**

I have read their answer to you and in my opinion it is inappropriate for a public administration and especially Milan City Council.

## **LUCA CHIANCA**

Faced by such a scheme for the sale of AC Milan, one can ask the City Council to do more since it grants concession to this company.

## **DAVID GENTILI - PRESIDENT ANTIMAFIA COMMISSION - MILAN CITY COUNCIL**

It is quit natural for one to ask this, where corporate structure is far from transparent: but who's really in charge here? Because we have to know if you are speaking on your own behalf or for someone else: who is the real owner of the company?

## **SIGFRIDO RANUCCI IN THE STUDIO**

So, what are the concerns as regards this affair? First and foremost, whoever chose Mr. Li was not very far-sighted. Then the other concern is that Mr. Li chose as his Rothschild Bank advisor, the vice president in London and former ENI executive, Paolo Scaroni, a figure long and loyally associated with seller. So, in short, why did Mr. Li chose a bank as advisor where the vice president owes faith to the seller? Mr. Li and Dr. Scaroni could have explained it to us but they preferred not to meet us. Tight lips were also kept by the two financiers from Naples who set up the financial vehicle for the bridging loan from the Elliott Fund of 303 million euros. It turns out they are old acquaintances of Galliani. Galliani himself did not want to speak with us, as you saw and heard. Then there is the silence on the part of football institutions. Commissioner Fabbicini of the FIGC is a direct representative of the political body for sport, CONI, said: "I raised the problem of transparency in the purchase of Milan and where the money came from". The wrath of God was unleashed and he had to retrace his steps. The President of the Antimafia Commission of Milan City Council says: "AC Milan has a concession for the San Siro Stadium, pays a fee and the City Council should demand transparency". Except that Milan City council says: "the fee AC Milan pays - seven million euros a year - it not paid in cash so there are no concerns". Because there could be a risk of recycling; naturally enough, if they paid in cash. So, the only person who can tell us who Mr. Li really is and where the money came from is you, President Berlusconi. There. Who did he judge to be more worthy than himself to entrust him

with "his" Milan that he cares such a lot about? He has now also announced that he wants to buy it back; if that were so, it would also be very easy since he has several friends on the board of directors: former Eni executive Paolo Scaroni with whom he shared the gas policies of his friend Putin and also the two figures behind the operation with the Elliott Fund, the two financiers from Naples who his friend Galliani perhaps knows very well.