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Source: Alamy

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Champion of Promotes

Ideanomics (IDEX) (formerly Seven Stars Cloud Group, Inc. and before that WeCast and before that You on Demand Holdings and before that China Broadband) is a zero. The company changes its name and promotional story so frequently that it's hard to keep up. One thing remains a constant, despite all the press releases, buzzwords and hype: shareholders get wiped out.

The latest promote involves a barrage of press releases around electric vehicle "group sales." However, staff from four of five organizations in IDEX's most recent five press releases vehemently denied doing any deal with IDEX. We could not identify the fifth. We doubt the auditor, BF Borgers CPA, will be able to either, seeing as that company's only office is in an industrial district of Lake-

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We reached five staff members of the reported partner company and none of them had heard of IDEX or the sales center.

wood, Colorado, 10,000 miles away from China, where all the "deals" take place.

The run-up in the share price is nothing more than a well-timed pump. The shelf registration announced June 23 is a desperate attempt to raise money, since the company has less than three months of cash in the bank.

The No-Show Room

Our investigators have been unable to establish that IDEX has a showroom in Qingdao, whence the contract announcements have been flowing. In March, IDEX announced it would acquire a sales center for new and used electric vehicles in Qingdao covering 100,000 sqm¹--and emphasized that this is 1 mln square feet. "The company has renovated a one million square foot area as a permanent EV expo centre, the cost of which has been met by development funds from the Chengyang business district of the city of Qingdao, in China's Shandong province," according to a March 23 press release.

We had a hard time identifying this expo center but eventually found an IDEX subsidiary that has a mail drop at a 1 mln sqft shopping mall in Qingdao's Chengyang District. Renovations are news to the companies that operate there. In fact, the shopping mall is in financial distress and is not honoring contracts with people who bought shops there, according to a local news report.² Neither the manager of the shopping mall nor two store owners we contacted in the center had ever heard of IDEX, any of its subsidiaries or joint ventures, or the EV showroom the company says it opened on May 1.

IDEX says its EV showroom is operated by a joint-venture company that is partly owned by the local government. We called the JV partner named in IDEX's March press release, Qingdao Chengyang Xinyang Investment Co. Ltd., and the staff member had never heard of IDEX. To make sure, we called the parent organization, Qingdao Chengyang Development Investment Group, and spoke with five different staff members. None had heard of IDEX and did not recognize the JV name.

1 <https://www.prnewswire.com/news-releases/ideanomics-meg-sales-subsi-dary-to-open-100-000-square-meters-facility-in-the-city-qingdao-301015506.html>

2 Chinese-language news June 24, 2020: <https://www.hotbak.net/key/25%E4%B8%87%E4%B9%B0%E7%9A%84%E5%95%86%E9%93%BA%E8%AF%B4%E5%A5%BD%E4%B8%89%E5%B9%B4%E8%BF%94%E7%A7%9F%E5%AF%8C%E8%BE%BE%E5%95%86%E8%B4%B8%E5%9F%8E%E8%BF%9F%E8%BF%9F.html>

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IDEX will run out of cash within weeks if the current share issue doesn't work.

Government databases indicate that the joint-venture company has been registered (and was quickly renamed), but the promised \$300 mln in registered capital has not been injected, and the company is not operating. A website for the company at <http://www.platformmeg.com/> renders a blank page. There is no sign of an IDEX sales center at the 1 mln sqft shopping mall, which was built in 2013 with funds from an investor in Shenzhen.



The Fuda International Business and Trade Center. IDEX office not visible. | Photo: Google Maps 2019.

Local news sources reported earlier this year that some big investments were planned for the area, but not from IDEX. A Chinese news report³ says the plan belongs to Sun Seven Stars Investment Group Ltd., a BVI company controlled by IDEX Executive Chairman Bruno Wu.

“阳光七星”频频落子“阳光城阳”

继去年在城阳设立三大公司并与城阳合资成立三个公司后，2月25日，在青岛市举行的阳光七星投资集团项目视频集中签约仪式上，日本跨境电商项目、韩国跨境电商项目、埃能聚“一带一路”新能源汽车销售平台项目、阳光易速电竞业务总部项目、埃能聚汽车市场交易市场项目、汇金行正信资产管理项目、柯达防伪技术项目等7个项目落户城阳区，总投资达10亿元以上，预计实现年营业收入200亿元以上。

...on February 25, the Sunshine Seven Star Investment Group project video signing ceremony was held in Qingdao to include a Japanese cross-border e-commerce project, a South Korean cross-border e-commerce project, the Ainengju "Belt and Road" new energy vehicle sales platform project, the Sunshine Express e-sports business project, the Ainengju auto market transaction market project, the Huijin Bank Zhengxin asset management project, the Kodak anti-counterfeiting technology project, for a total of seven projects. This project is located in Chengyang District, with a total investment of more than 1 billion yuan and will have an estimated annual operating income of more than 20 billion yuan.

Screenshot from the epaper, February 26, 2020, with our translation

The article says that Wu discussed the project with the Qingdao government at an investment fair in Shenzhen last year and signed an MOU in a video

³ Chinese news account: <http://epaper.qingdaonews.com/html/qdrb/20200226/qdrb1325374.html>

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conference. The project is supposed to include an EV sales center, a film production studio, a credit center, an e-sports project, a Kodak anti-counterfeiting center, and at least two more companies, with total investment of ¥1 bln. Nothing has been heard about it since a March 11 news report.⁴

The latest promote

IDEX claims it is using the showroom referenced above (which doesn't seem to exist) to sell and finance electric vehicles.

From June 11-22, IDEX announced five contracts for electric vehicles, with Tianjin Zhongcheng Jiaye Automobile Trading (for 42 vehicles), Jiudao Group (for 400 vehicles), Didi City CP (for 300 vehicles), Beijing Silk Road Rainbow Group (for 2,000 vehicles), and the city of Neijiang in Sichuan Province (for 200 EV taxis). On June 23 and 24, we spoke with representatives from four of the five “buyers.” All four denied there were contracts. One of them went as far as to tell our staff member that the IDEX press release is “fake news.”

- ▶ *Tianjin Zhongcheng* said they have not purchased any EVs and have never heard of IDEX.
- ▶ *Jiudao Group* asked where we had heard that they were buying cars. We said from the news. The executive asked us to send a link. On receiving the announcement from IDEX, the Jiudao executive sent back a message saying “it’s fake” and thanking us for alerting the company.
- ▶ A representative of *Beijing Silk Road Rainbow* said that the company had indeed met IDEX but had told IDEX they could not work together. The two organizations held a “strategic cooperation meeting” in Beijing last September, according to a news article.⁵
- ▶ A representative of *Neijiang, Sichuan* said that the city had not purchased EVs and was unaware of this press release. The representative said that any vehicle purchases would be posted on the provincial purchasing website: <https://www.sczfcg.com/index.html>.

4 Chinese news account: http://www.dailyqd.com/3g/html/2020-03/20/content_274647.htm

5 <https://www.silucaihong.cn/article/88.html%E4%B8%9D%E8%B7%AF%E5%BD%A9%E8%99%B9%E7%9A%84%E5%AE%98%E7%BD%91>

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J Cap: Mr. X, hello!

Jiudao: Hi!

J Cap: Mr. X, could you please tell me whether the news article linked here is correct?

Jiudao: It's fake

Jiudao: Thank you! You told me about some fake news! Give me your name and we can be friends!

Screenshot from our conversation with a representative of the Jiudao Group. June 23

We were unable to locate the fifth partner, called Didi City in IDEX's release, but we searched for any purchases by reported parent company Didi Chuxing. That company announced one EV purchase at the beginning of 2019, but it was from the Beijing auto manufacturer BAIC.⁶

All plans fizzle

We believe all IDEX's investment plans are likely to end in spectacular failure. This wouldn't be the first time the company has over-promised and under-delivered. In fact, the last four businesses the company has entered into have crashed and been written down, with GAAP losses to shareholders of \$211.9 mln since 2014.

Video on Demand: Back in 2014, the company (then called You on Demand Holdings) offered "multi-platform premium content," having discontinued the earlier broadband business the previous year. But on-demand content proved no better: the 10K disclosure says "the Company has incurred significant losses during 2014 and 2013 and has relied on debt and equity financings to fund our operations. These conditions raise substantial doubt about our ability to continue as a going concern."⁷ The accumulated deficit of \$78.4 mln had grown by \$6.5 mln in 2014.

⁶ See the report from Didi Global: <https://www.didiglobal.com/news/newsDetail?id=618&type=news>

⁷ <https://www.sec.gov/Archives/edgar/data/837852/000106299315001568/form10k.htm>

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Oil and electronics trading: Starting in March 2017, IDEX (then called Wecast Network) issued a series of press releases claiming an “exclusive partnership” to manage the supply chain for the Chinese Electronic Chamber of Commerce.⁸ In August of that year, fresh from another name change, this time to Seven Stars Cloud Group, Inc., IDEX announced⁹ two JVs with Chinese petroleum trading companies. Although the language was around “structured finance, alternative finance, and carry trade,” IDEX’s idea was to buy and sell petroleum products and electronic components to realize a spread in the price.

It didn’t last long. In 2018, IDEX discontinued this business and disposed of it in 2019. The SEC seems to have been as baffled as we are about what IDEX was actually doing. In correspondence, the regulator repeatedly asked IDEX to “focus your discussion on the particulars of your revenue arrangements.” The company responded that actually there was no finance business. “The Company advises the Staff that the prior disclosure regarding the “structured finance, alternative finance and carry trade components” of the Company’s logistics management and financing business was intended to describe the Company’s *plans* to provide solutions that facilitate logistics financing.” [our emphasis]¹⁰

Despite closing the business, IDEX announced on October 24, 2018 that its “commodities and energy division” had signed an advisory deal with “World’s Leading Magnesium Mining Project,” called Zhonjinhuifu, a misspelling for the Chinese pronunciation of the China International Capital Corporation, China’s largest investment bank and an organization exceedingly unlikely to hire IDEX. At any rate, no income from the deal was ever mentioned.

Fintech: In 2018, IDEX said it was “building a technology ecosystem through license agreements, joint ventures and strategic acquisitions, referred to as the “Fintech Ecosystem.” But no services emerged. Of IDEX’s 60 employees, only one works in technology. It’s right there on Page 16 of the 2019 Annual Report:

8 <https://www.prnewswire.com/news-releases/wecast-network-and-the-china-electronics-chamber-of-commerce-cecc-form-exclusive-strategic-partnership-300419231.html>

9 <https://www.prnewswire.com/news-releases/seven-stars-cloud-announces-2-new-separate-jv-partnerships-300503626.html>

10 SEC correspondence May 7, 2019

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Our Employees

As of December 31, 2019, we had a total of 60 full-time employees, including 30 located in the United States. The following table sets forth the number of our employees by function on December 31, 2019.

Function	Number of Employees
Business Development	22
Project Management and Operations	7
Technology	1
Finance and Legal	16
Administrative	14
TOTAL	60

On October 10, 2018, IDEX announced¹¹ a deal to acquire 58 acres in West Hartford, Connecticut for a “FinTech Village” development. Interestingly enough, this was the same property where the company had announced the previous July establishing a “global headquarters for technology and innovation.”¹²

The company said that the project was “Expected to Create 330 Jobs in West Hartford.” That never happened. In the third quarter of 2019, IDEX recorded an impairment loss of \$2.3 million in connection with four buildings in FinTech Village that were later demolished. The good news came on June 24 this year, when IDEX announced¹³ that West Hartford had agreed to buy back the property if no one else expressed interest.

Cryptocurrency: IDEX got into trading digital currencies in December 2017 when the company announced it was buying 27% of the Delaware Board of Trade, “the first and only blockchain based Alternative Trading System fully licensed by the SEC.” In May 2019, IDEX said it had purchased a 71.7% stake in the company. But IDEX lost a staggering \$61.1 mln trading cryp-tocurrency. On page F10 of the 2019 10K, under “Digital Currency,” IDEX discloses: “The Company may, from time to time, enter into transactions de-nominated in digital currency, which may consist of GTDollar Coins (“GTB”), Bitcoin, Ethereum and/or other types of digital currency.” The company goes on to explain that, because of a drop in the quoted priced of GTB, in Q4 2019, it “recorded an impairment loss of \$61.1 million.”

11 <https://www.prnewswire.com/news-releases/ideanomics-closes-on-purchase-of-university-of-connecticuts-former-west-hartford-campus-300728907.html>

12 <https://www.prnewswire.com/news-releases/seven-stars-cloud-group-establishing-global-headquarters-for-technology-and-innovation-in-connecticut-300675967.html>

13 <https://www.prnewswire.com/news-releases/ideanomics-receives-interest-from-town-of-west-hartford-for-fintech-village-301082795.html>

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A year later, they acquired FinTalk, a platform that was to “provide integrated B2B financial technology communication and AI-enabled financial information services and financial data analytics.” The company recorded an impairment for FinTalk in 2019 and put it up for sale.

In August 2018 the company (then called Seven Stars Cloud Group Inc.), landed on the EV business, breathlessly announcing “Seven Stars Cloud Signs Exclusive, Ground-breaking, Three-Year \$24B Deal with China's Largest Electric Bus Full-Service Operator.”¹⁴ Later releases indicate that the operator, a mysterious organization called National Transportation Capacity Co Ltd in the English press release, had asked IDEX to find re-financing for asset-backed securities in the city of Tianjin. At any rate, no revenue was reported from the “deal.”

Just since 2016, IDEX has burned through \$53.7 mln in operating cash flows, most of which has been spent on money-losing investments. The company has an accumulated deficit of \$248.5 mln.

Mr. Wu - the art of the deal

Interesting partnerships are not out of the ordinary for Bruno Wu, who has been the company's mastermind since 2016.

In 2012, Wu announced an \$800 mln investment fund, followed by a joint venture to build a mega-media hub in China called Chinawood. Nothing came of these announcements, and the media were skeptical. Nancy Tartaglione, writing in “Deadline” in June 2013, said: “[Wu] is decidedly a controversial media mogul. Even more so after he made a spate of high-profile announcements over the past 15 months with very little to show for them so far.”¹⁵

In 2013, Wu formed a partnership with BT Capital Group, led by former Bertelsmann CEO Thomas Middelhoff, who was imprisoned shortly after on tax fraud.¹⁶ The company planned to make private investments in TV

14 <https://www.prnewswire.com/news-releases/seven-stars-cloud-signs-exclusive-ground-breaking-three-year-24b-deal-with-chinas-largest-electric-bus-full-service-operator-300699270.html>

15 <https://deadline.com/2013/06/bruno-wu-qa-is-he-mr-chinawood-513103/>

16 <http://deadline.com/2013/07/ft-bruno-wu-thomas-middelhoff-to-pool-assets-for-investment-venture-bt-capital-546333/>

<https://www.nytimes.com/2014/11/15/business/international/thomas-middelhoff-ex-chief-of->

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and film productions and Internet sites.

In 2015, Wu initiated a \$1.6 bln partnership with Yucheng Group. The idea was to finance Hollywood movies in cooperation with Yucheng. Shortly afterwards, Yucheng was found to have been engaging in a Ponzi scheme¹⁷ and unraveled when its chairman admitted he had fabricated investment deals.

Wu's Sun Seven Stars investment vehicle made a "non-binding investment proposal" in IDEX—then called You on Demand—in November 2015, proposing to spend \$10 mln for what was eventually disclosed to be 36.2% of the company.¹⁸ Reflected in three separate agreements, the purchase was mostly paid for in kind, by conveying licensing rights to IDEX.



Bruno Wu | Source: Alamy

[bertelsmann-gets-3-year-prison-sentence.html](#)

¹⁷ <https://www.chinamoneynetwork.com/2015/12/09/bruno-wus-china-film-fund-partner-yucheng-group-under-investigation>

<https://www.hollywoodreporter.com/news/asian-mogul-bruno-wu-launches-837622>

<https://www.bloomberg.com/news/articles/2017-09-12/owner-of-china-s-biggest-ponzi-scheme-sentenced-to-life-in-jail>

¹⁸ See IDEX correspondence with the SEC, December 9, 2015

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It is charitable to call BF Borgers an auditor. Proper auditors of the past held on for mere months. One, Grant Thornton, apparently refused to sign the statements.

Wu then joined IDEX as chairman in January 2016, when IDEX agreed to absorb his Sun Video Group HK, paying \$800,000 in cash and a \$50 mln promissory note. The promissory note was converted to shares plus a share of profit, which the company announced in 2018 would not be paid to Wu, since Sun Video had not met revenue targets.

None of the above should cause you to believe that Bruno Wu isn't extremely important. If you can overlook a few recent blemishes on his otherwise distinguished record, his early 2000s business ventures were quite successful: he sold 27% of his Sun TV venture to SINA for \$8 mln in cash and was later able to net \$156.4 mln from selling the shares he had gotten from SINA for \$1 each. This was better than SINA did out of the deal, as they wrote down the investment fully over the next five years.

Wu's contribution to the Chinese people/humanity should not be overlooked either. He selflessly took four to five months out from his role at IDEX to help secure the recent U.S-China trade deal, which he graciously pointed out on a recent investor call:

"I was gone for 4 months or 5 months, the second half of 2019 [indiscernible] (00:28:38). I've done my job with the U.S.-China trade talk. I'm now back and we are on track of making this the greatest comeback story ever in the [indiscernible] (00:28:52) very confident of that."

And I would walk 10,000 miles (to audit IDEX)

We find IDEX's choice of auditors, BF Borgers CPA PC, curious given the company has a single office in Colorado with no affiliates in China, where IDEXs' business takes place. We wonder if IDEX chose BF Borgers based on its distinguished record on previous audit clients (for example, Bakhu Holdings Corp. BKUH, currently insolvent and in receivership,¹⁹ CannaPharmarx Inc., CPMD, whose executive team was sued for fraud,²⁰ Chineseinvestors.com, Inc., parent to several marijuana companies and trading as CIIX on the OTC market, Origen Agritech SEED,²¹ Sunshine

19 https://content.edgar-online.com/ExternalLink/EDGAR/0001477932-17-005970.html?has_h=4377f4365835e95b4e233895c4d1199b7e863141bcb6740d77f070afdb96f29f&dest=BKUH_EX992_HTM#BKUH_EX992_HTM

20 <https://finance.yahoo.com/news/lawsuits-involving-gary-m-cohen-125800396.html>

21 <https://www.prnewswire.com/news-releases/origin-agritech-received-a-non-compliance-notification-from-nasdaq-300865541.html>

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Biopharma, Inc., SBFM,²² and so many more.)

If you don't love Borgers for the clients, perhaps the charming offices.



BF Borgers CPA office, photo from Loopnet.com

When not changing its business model, the company is buying dubious businesses.

The company must be happy to have an auditor at all. Borgers took over in February 2018, after IDEX's Audit Committee dismissed Grant Thornton. Grant Thornton had audited IDEX for just a year but did not put its name on the 2017 10K. Prior to Grant Thornton, KPMG Huazhen was the company auditor for all of three months. Before KPMG Huazhen, the auditor was UHY LLP, which, like Borgers, has received multiple sanctions from the PCAOB.

The company vice chairman, Shane McMahon, has the perfect background for IDEX: his previous job was with America's best-known creator of spectacles for money, World Wrestling Entertainment (WWE). He came into the job by the dynastic path: as the son of WWE CEO Vince McMahon, Shane, 48, held "various executive positions" at WWE from 2000 to 2009. No other employment is on record for him.

Shell game

When not changing its business model, the company is buying dubious businesses. The deliberately confusing language makes it tough to say what is actually happening—many of the acquisitions are unconsolidated,

²² https://investorshub.advfn.com/boards/read_msg.aspx?message_id=140206966

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and when they are consolidated, non-controlling interests are huge. As of end December 2019, shareholder equity was \$58.7 mln, but non-controlling interest was \$25.2 mln--43% of the total.

A classic example of the value-destroying acquisition chaos was the purchase of Glory Connection Sdn. Bhd ("Glory") in July 2019. Before revising the deal, IDEX paid 12.2 mln restricted common shares to purchase a 34% interest in Glory, a Malaysian company.

As can be seen in the following statement, Glory was basically a company with negligible revenue and large losses:

The following table summarizes the income statement information of Glory for the year ended December 31, 2019:

December 31, 2019		
Revenue	\$	33,352
Gross profit		10,020
Net loss from operations		(596,671)
Net loss		(585,981)
Net loss attributable to Glory		(323,673)

Glory, through its subsidiary Tree Manufacturing, was supposed to hold a domestic EV manufacturing license in Malaysia, a marketing and distribution agreement for EVs in the ASEAN region, and the land-use rights for 250 acres of vacant land zoned for industrial development. Tree Manufacturing is supposedly in the process of setting up its manufacturing and assembly capabilities, so now apparently Glory is now in the "process of ramping up its operations."

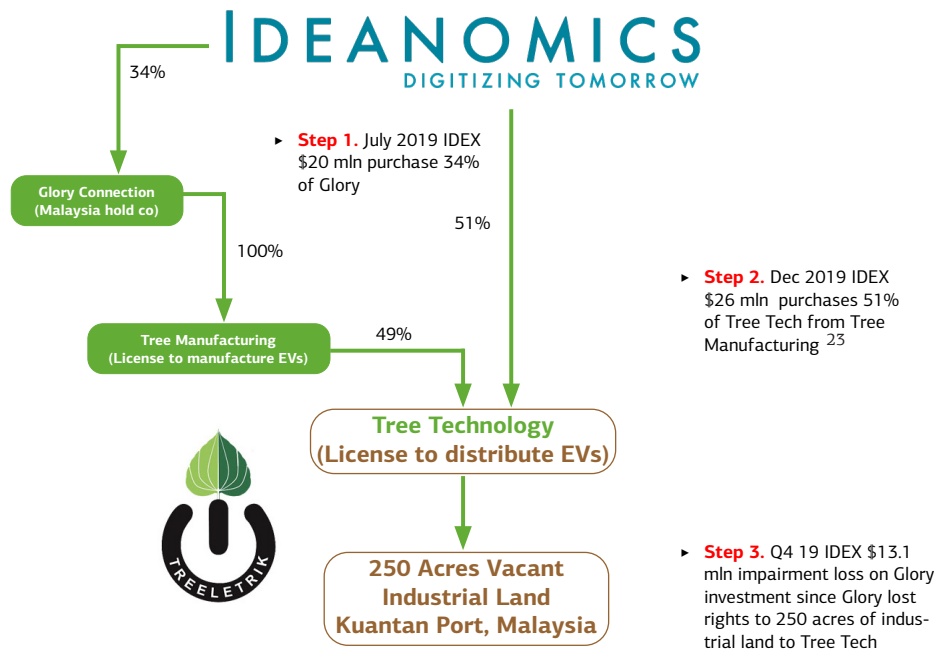
A few months after the Glory equity acquisition, in December 2019, IDEX acquired a 51% ownership interest in Tree Technologies. Tree Technologies had previously been granted the land-use rights to the vacant land that Glory was supposed to access through Tree Manufacturing. As Glory would no longer receive the land-use rights, the company booked an impairment loss of \$13.1 mln on its equity valuation of Glory, purchased only around five months before. In other words, shareholders effectively paid twice for the same land-use rights, once indirectly through the Glory equity holding, and again through the direct holding of Tree Technologies, all in a deal with the company's own shareholder!

Meanwhile, IDEX said it intends to develop the land and lease it to Tree Manufacturing for the manufacture of EVs. For its 51% of Tree Technologies, IDEX allocated a value of \$13.3 mln in goodwill and \$11.3 mln in intangible assets in the form of a marketing and distribution agreement. These benefits flow from profits anticipated from trading with the Glory

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affiliate of which IDEX purchased a 34%, which was subsequently written down, all for a factory that has not been built, has no proposed EV models, and no distribution network set up, and no explanation for what sales there might be. It's all thin air. Tree Technologies had not commenced operations as of the acquisition date, obviously because the EV manufacturing plant had not yet even been built.

Round Robin of Self-Dealing



The company has a half dozen such fantasy deals. Somebody benefits, but you can be sure it's not the public shareholder.

23 Consists of \$0.9m cash, \$7.79m share value equivalent as of closing date of acquisition. and \$17.3m discounted value of earnout agreement using company's estimate.

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