



Securities Investors Association (Singapore)

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Issuer: Ayondo Ltd

Security: Ayondo Ltd

Meeting details:

Date: 28 Jun 2019

Time: 2.30 p.m.

Venue: 10 Anson Road, #29-06 International Plaza, Singapore 079903

Company Description

Ayondo Ltd is a Singapore-based financial technology company that provides social trading and brokerage services. The Company provides trading and investment solutions for retail and institutional customers through its technology platforms. Its proprietary platforms include WeTrade for social trading and TradeHub for self-directed trading. WeTrade allows traders on the platform to provide trading signals and be followed by other traders. TradeHub is used to manage self-directed trading and social trading. The Company also offers Contract for Difference, spread bet, and casual trading services across different markets and financial products, such as forex, commodities, treasuries, indices, cryptocurrencies and shares. It also provides educational trading services through TradeHero, a mobile application for a gamified community of players to learn basics of investment and trading.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=115)

Q1. As noted in the chairman’s statement, the company was listed on 26 March 2018 and it soon faced “*challenges in its core business starting with UK and European regulators tightening CFD regulatory measures... significant decline in CFD trading volumes for all CFD providers, including ayondo.*” (page 6 of the annual report).

The sale of ayondo Markets Limited (AML) which is a 730K FCA authorised firm in the United Kingdom, was completed in June 2019.

(i) Does the group expect any further losses, claims or adjustments relating to AML?

Following the sale, the group’s strategic focus has shifted to:

- Developing the next generation social trading software in Europe
- Growing in China (in partnership with iMaibo) and Asia
- Deploying a new and enhanced technology platform (including B2B partners)

In the circular to shareholders titled “Proposed disposal of 100% of the issued shares in the capital of ayondo Markets Limited” dated 19 May 2019, the company has stated the following:

“The Proposed Disposal is expected to significantly change the risk profile of the Group as the remaining business is small and will not be a viable business suitable for listing... In addition, the Proposed Disposal is also expected to affect the Group’s competitive strengths, particularly in respect of the ownership of the entire value chain as the group will be operating without its own trade execution platform.”
[emphasis added]

- (ii) Is the focus on social trading a viable business model for a listed company? Would the board help shareholders understand the prospects of the group with its focus on social trading? What are some of the key assumptions used by the board/management in its planning/approval/budgeting process?**
- (iii) In the board’s approval for the tie-up with iMaibo, what is the level of scale and profit margin required for the company to be profitable? When does the board expect the group to turn profitable?**
- (iv) Given the company has stated that its recent business initiatives and collaborations (such as the B2B collaboration with KGI and TradeHero; and the investment into MyHero) “did not perform as expected”, what guidance has the board provided to management to ensure that the proposed tie-up with iMaibo will be successful?**

The group has also experienced high level of management changes since its listing. Mr Robert Lempka ceased to be the executive director and chief executive officer of the company on 22 January 2019. The company has also announced the cessation of Mr Sean Downey as chief financial officer.

- (v) Does the group have the necessary human resources in place to meet its strategic objectives?**
- (vi) In particular, what is the track record and experience of the board/management in China? What is the level of understanding of the typical Chinese customer/trader and their use of social media?**
- (vii) The trading of the company's shares was first halted on 30 January 2019 and it has been suspended since 1 February 2019. What are key milestones to be achieved by the company before the trading of the shares can be resumed? What is the level of involvement by the independent directors to help the company resolve the going concern and business viability issues?**

Q2. In the Offer document dated 15 March 2018, Mr Thomas Winkler was listed as the group's executive chairman and the co-founder of the group with more than 24 years of working experience in the European banking, investment and securities trading industries.

On 31 July 2018, the company announced the re-designation of Mr Thomas Winkler from executive chairman to non-executive chairman.

Further, on 28 May 2019, the company announced that a transfer of 1,202,796 shares from the deemed interest of Mr Thomas Winkler (held by Next Generation Finance Management AG) to third parties on 22 November 2018.

The company was belatedly informed of the transfer on 24 May 2019 when the transfer had already taken place on 22 November 2018.

- (i) Has the board reviewed the belated notification by the non-executive chairman? Has the board considered it necessary to remind the directors and the key executives on the regulations relating to the trading of the company's securities?**
- (ii) Given that the company was informed of the transfer on 24 May 2019, what was the reason for the delay by the company to file the notice on SGXNet?**
- (iii) Has the board carried out an investigation into the share transfer? Given the experience of the non-executive chairman in the investment and securities trading industries, are there any extenuating circumstances for the late disclosure by the non-executive director?**

- (iv)** At the annual general meeting scheduled to be held on 28 June 2019, Mr Thomas Winkler is retiring pursuant to Regulation 122 of the Company's Constitution and will be seeking his re-election. More information on the retiring directors, including Mr Thomas Winkler, could be found on pages 56 to 64 of the annual report. **Would the nominating committee elaborate further on its recommendation to re-elect Mr Thomas Winkler?**

Q3. On 25 May 2019, the company announced that the independent auditor has issued a disclaimer of opinion in the Independent Auditor's Report on the audited financial statements of the company and the group for the financial year ended 31 December 2018.

The basis for disclaimer of opinion include:

- Going concern assumption
- Information technology (IT) platform costs

The full detail of the basis for disclaimer of opinion could be found on pages 71 & 72 of the annual report.

In particular, the auditors have stated the following:

Due to limited information available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of CHF832,000 capitalised as intangible assets and consequently the amortisation charge of CHF71,000, impairment expense of CHF761,000 as well as research expense of CHF448,000 recorded during the year. Accordingly, we were unable to ascertain the appropriateness of the classification and presentation of these items in profit or loss and cash flow statements.

- (i)** Can the audit committee (AC) help shareholders understand the assistance it had rendered to the auditor to obtain sufficient appropriate audit evidence?
- (ii)** Did the AC review the co-operation given by management to the external auditor? Would management clarify why it was not able to provide the Independent Auditor with sufficient appropriate audit evidence for them to provide a basis of an audit opinion of the financial statements? Was the AC satisfied with the level of co-operation given by the management?
- (iii)** In addition, what were the deliberations by the AC over the accounting treatment of the IT platform costs?

(iv) In the Directors' statement, the directors have stated that, in their opinion:

“the consolidated financial statement of the group and the balance sheet and statement of changes in equity of the company are drawn up so as to give a true and fair view of the financial position of the group and the company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.”

In view of the disclaimer of opinion by the Independent Auditor, can the board explain and justify how it arrived at the opinion that the financial statements are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018?