AYONDO LTD.
(Company Registration No.: 201728417D)
(Incorporated in the Republic of Singapore)

UPDATE PURSUANT TO RULE 703(1) OF SECTION B: RULES OF CATALIST OF THE LISTING MANUAL OF THE SGX-ST:
A. UPDATE ON AYONDO MARKETS LIMITED
B. HEADS OF TERMS WITH BUX HOLDING B.V.

The Board of Directors (the "**Board**") of ayondo Ltd. ("**ayondo**" or the "**Company**" together with its subsidiaries, the "**Group**") wishes to update shareholders on the following matters:

1. ayondo Markets Limited ("AML")

1.1 <u>Common Equity Tier 1 ("**CET1**") ratio</u>

AML is a 99.91%-owned subsidiary of the Group operating in the United Kingdom ("**UK**"). AML carries on activities which are regulated by the Financial Conduct Authority in the UK ("**FCA**") as a 730K investment firm, and such activities include dealing in CFDs as principal and spread betting. Under the EU Capital Requirements Directive and the Capital Requirements Regulation, which are supervised by the FCA, AML is required to maintain a prescribed CET1 ratio for the purpose of compliance with the FCA requirements.

In January 2019, following feedback by one of the Group's employees regarding the calculation of CET1 ratio, KPMG LLP in the UK ("**KPMG**") was engaged to assess the appropriate accounting and regulatory treatment of certain items including the treatment of software costs, inter-company loan balances and the scope of regulatory consolidation related to the determination of AML's regulatory capital position under the International Financial Reporting Standards ("**IFRS**") and FRS 102 **-** The Financial Reporting Standard applicable in the UK and Republic of Ireland ("**FRS 102**").

KPMG has expressed its views on the accounting treatment adopted by AML in relation to two items on the financial statements of AML, relevant to the computation of the CET1 ratio, namely (a) technology software expenditures; and (b) inter-company balances and transactions, KPMG's views are different from the accounting treatment adopted by AML in the past. If such views of KPMG were adopted by AML, it will have a negative impact on AML's CET1 ratio. However, KPMG has further stated that its analysis is based solely on the discussion, documents and information provided by the management of AML, and to the extent that the actual facts differ from those described, the accounting treatment may differ from the opinion provided.

The statutory auditors of AML (a non-EY firm), had opined that AML's financial statements gave a true and fair view of the state of the company's affairs as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017, respectively, and had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("**UK GAAP**") prior to 1 January 2015 and FRS102 thereafter, and the requirements of the Companies Act 2006 and the technology software and hardware expenditures had been classified as tangible assets.

In this regard, the Board noted that the FRS 102 is silent as to whether the technology software and hardware expenditures are classified as tangible assets, whereas the International Financial Reporting Standards ("**IFRS**") accounting standards, which were applied by KPMG and allowed under FRS 102 in arriving at its views as aforesaid, classify technology software expenditures as intangible assets. While the Group currently adopts IFRS for the preparation of its consolidated financial statements applicable under Singapore laws, AML adopts UK GAAP (previously) and FRS 102 for its statutory reporting requirements in the UK. In particular, AML classifies technology software and hardware expenditures as tangible assets. AML's computation of the CET1 ratio was based on its statutory accounts prepared under UK GAAP and FRS 102, which are commonly accepted accounting standards and in line with previous submissions to the FCA. Accordingly, the Board is of the view that such accounting treatment is inherently a matter of judgement on the part of AML directors, especially when the statutory auditors of AML had opined that the financial statements of AML gave a true and fair view of the state of the company's affairs.

The Board noted the Group's independent auditors and reporting accountant during the initial public offering exercise, Ernst & Young LLP ("**EY**"), had audited the Group's subsidiaries, including AML, and issued an unqualified opinion on the consolidated financial statements of the Group in accordance with IFRS for the financial year ended 31 December 2014, 31 December 2015 and 31 December 2016 and the financial periods ended 30 September 2016 and 30 September 2017 respectively.

As part of EY internal audit review to understand the processes and assess the design of the controls, the quarterly report to be submitted to the FCA is a protected excel template provided by the FCA where figures inserted were based on the management accounts, and the formulas applied could not be amended. EY had agreed the financial numbers in the protected excel template to the management accounts of AML, which was prepared based on the accounting policies used in its statutory financial statements. EY performed re-computation of the CET 1 ratios and noted no exceptions to AML's historical compliance with the CET1 ratio.

The Board has confirmed that the capital ratio figures submitted to the FCA were in line with market practice. FCA has not raised concerns on the computation of the CET1 ratio.

Following the views of KPMG on the accounting treatment of the aforesaid two items for the purpose of computation of the CET1 ratio, AML has approached the FCA seeking to resolve the issue (including a proposal as noted in paragraph 2 below), and the outcome is still pending.

1.2 <u>Financial Conduct Authority in the UK</u>

The Board noted that since AML was under the supervision of the FCA, it has consistently applied UK GAAP and FRS 102, including in its preparation of its statutory financial statements for the financial year ended 31 December 2014 and up to its financial period ended 30 September 2018. AML has also been adopting a consistent accounting treatment for the aforesaid two items in the past up to its financial period ended 30 September 2018.

AML is supervised by the FCA on compliance of its regulatory requirements in order for AML to carry on the regulated activities as a 730K investment firm, and subject to FCA's inspection from time to time. Amongst FCA's various compliance requirements, AML has been reporting to the FCA regarding its compliance with the CET1 ratio through quarterly filing of its financial information for more than 5 years since 2014, and the latest quarterly filing was in respect of its financial period ended 30 September 2018. In all such reporting to the FCA, AML has adopted the same accounting treatment for the aforesaid two items in computing its CET1 ratio. The FCA has not previously raised concerns on the compliance with its requirements, including the computation of the CET1 ratio.

1.3 Operations of AML

Notwithstanding the above, AML continues to be authorised by the FCA as a 730K investment firm in the UK and operates its business as usual. The Group continues to provide social trading services and brokerage services to both B2C and B2B clients through its two proprietary platforms, namely (a) WeTrade for social trading; and (b) TradeHub for self-directed trading, and offer CFD and spread bet trading across different markets and financial products.

2. Heads of Terms made with BUX

Following the views expressed by KPMG as aforesaid, Sycap Group (UK) Limited ("**Sycap**"), a 99.91%-owned indirect subsidiary of the Group (which owns AML) has in February 2019, entered into a non-binding heads of terms with BUX Holding B.V. ("**BUX**") for the disposal of AML to BUX ("**Proposed Disposal**"), to enable the latter to inject fresh capital into AML. This step was taken by the Company in support of a proposal in case there is a capital shortfall in AML which may arise from regulatory or working capital requirements, after ascertaining the outcome from the consultation with the FCA and taking into account the financial situation of AML.

BUX, a company registered in the Netherlands, is one of the Group's white label partners. BUX offers a trading application for smartphones that simplifies trading of instruments in financial markets for social and casual usage, where all transactions from BUX are processed via the Group's TradeHub platform. For real money trading, BUX offers its services through the tied agent arrangement with AML.

The aforesaid heads of terms is only an expression of intent, which does not create any legally binding nor enforceable obligations for the Proposed Disposal. The Proposed Disposal will be subject to entry into definitive agreement and will require shareholders' approval. If the transaction is proceeded with and completed, it is intended that BUX and the Company will continue as key partners and BUX will continue its existing support for the Group's remaining social trading activities. The Company will make such further announcements to inform shareholders of any material updates or developments on the Proposed Disposal, if it is proceeded with following the FCA's decision on the CET1 ratio or due to working capital requirement, and comply with requirements under Chapter 10 of the Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Meanwhile, the Board has suspended the trading in the Company's securities pending clarity on the matters set out above. The Board will continue to engage FCA, EY and KPMG further on the computation of the CET1 ratio and will update the market, the Sponsor and SGX Regulation as and when there are material developments, including the FCA's position on AML's compliance with the CET1 ratio.

The Board, Sponsor and legal advisor are in close communication with SGX Regulation ("**SGX RegCo**") in relation to, amongst others, the findings by KPMG. As this has a bearing on the Company's compliance with the FCA's requirements, SGX RegCo has directed the Sponsor to provide a full account of the developments. The Sponsor is seeking clarity from the Company on the developments including FCA's position on the matter. The Sponsor has also directed the Company to provide it with a chronology of events leading to the above developments.

By Order of the Board

Thomas Winkler
Non-Executive Chairman
14 February 2019

About ayondo Ltd.

SGX-listed global Financial Technology Group, with subsidiaries authorised and regulated in the UK (FCA) and Germany (BaFin), is considered as one of the FinTech pioneers in Europe which has capitalised on the opportunity arising from emerging digital technologies and changing trends in the financial industry. While having their core retail customer markets in Europe, the Group focusses on pursuing their Asian B2B strategy. With currently more than 25 B2B partners, ranging from white label partners to introducing brokers, ayondo provides self-directed trading as well as Social Trading services. In recent years, ayondo has won several accolades including Europe's leading Financial Technology providers ("FinTech 50"). Other honours include the International Financial Award Best Social Trading Platform and Broker of the Year.

The contact person for the Sponsor is Mr Gregory Wee Toon Lee, Assistant Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.