



Our Ref: REG/LC/GT/ RY/NOC-ayondo

16 April 2019

The Board of Directors

ayondo Ltd.

20 Collyer Quay #01-02,

Singapore 049319

PRIVATE & CONFIDENTIAL

Dear Sirs,

ayondo LTD. ("AYONDO" OR THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")

NOTICE OF COMPLIANCE (THE "NOTICE")

1. Singapore Exchange Regulation ("**SGX Regco**" or the "**Exchange**") refers to the Company's SGXNet announcement dated 14 February 2019 (Announcement Reference No: SG190214OTHR1GOU) titled "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 ("**AML**") ; &
 - B. Heads of Terms with BUX Holding B.V. ("**BUX**").
2. SGX Regco noted that the Heads of Terms to dispose AML to BUX is non-binding and subject to shareholder's approval. SGX Regco informed the Board of Ayondo on 15 March 2019, that the Group put on hold its plan to dispose AML to BUX until the Board obtains clarity from the Financial Conduct Authority's ("**FCA**") on its position in relation to AML's compliance with capital adequacy requirements as imposed by FCA and after ascertaining the financial situation of the Group.

Common Equity Tier 1 ("CET1") ratio

3. The Company was listed in March 2018 and AML is the key operating subsidiary of the Group.
4. AML is a 99.91%-owned subsidiary of the Group operating in the United Kingdom, which carries on activities regulated by the FCA. It is required to, amongst others, maintain a prescribed regulatory capital, CET1 ratio, for the purpose of compliance with the FCA requirements.

5. On 14 February 2019, the Company announced that following feedback in January 2019 from one of the Group's employees regarding the calculation of the CET1 ratio, it had engaged KPMG LLP in the UK ("**KPMG**") 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.
6. KPMG's opinions are different from the accounting treatment adopted by AML in the past. If such opinions of KPMG were adopted by AML, it will have a negative impact on AML's CET1 ratio, and therefore result in a shortfall in AML's regulatory capital. However, KPMG 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.
7. The statutory auditors of AML had opined that AML's financial statements gave a true and fair view of the state of AML's affairs as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017, and had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("**UK GAAP**") prior to 1 January 2015 and the Financial Reporting Standard applicable in the UK and Republic of Ireland ("**FRS 102**") thereafter.
8. The Board also noted that Ernst & Young LLP ("**EY**"), the Group's independent auditors and reporting accountant during the initial public offering ("**IPO**") exercise (in March 2018), had audited the Group's subsidiaries, including AML, and issued an unqualified opinion on the consolidated financial statements of the Group in accordance with the International Financial Reporting Standards ("**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.
9. The Board has confirmed that the CET1 ratios submitted to the FCA were in line with market practice. In addition, AML has been submitting quarterly filings with FCA and FCA has not raised concerns on the compliance with its requirements, including computation of the CET1 ratio.
10. Following the views of KPMG, and in light of the above, AML and the Board have approached the FCA to seek clarity on FCA's position in relation to AML's compliance with the CET1 requirements. The outcome of the consultation with the FCA is pending.
11. Notwithstanding the above, AML continues to be authorized by the FCA as a 730K investment firm in the UK and operates its business as usual.

Heads of Terms entered into with BUX

12. In the same announcement on 14 February 2019, the Company announced that Sycap Group (UK) Limited, 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 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.

13. The Proposed Disposal will be subject to entry into definitive agreement and will require shareholders' approval.
14. On 15 March 2019, SGX Regco informed the Company to put the Proposed Disposal on hold, until the Board obtains clarity on the FCA's position in relation to AML's compliance with the CET1 requirements, and the financial position of the Group.
15. On 11 April 2019, we understand that the Company intends to proceed with the signing of a definitive agreement in relation to the Proposed Disposal, despite the fact that the outcome of the consultation with the FCA is still pending and that the audit of AML and the Group for the financial year ended 31 December 2018 ("FY2018") is still ongoing.
16. SGX Regco noted that the Company is disposing AML, its key operating subsidiary. The Company explained that the Proposed Disposal is necessary in light of the Group's financial situation and to meet the shortfall in AML's regulatory capital requirements. However, we note that FCA has not officially confirmed its position with regards to AML's compliance with the CET1 ratio, and consequentially, the shortfall in AML's regulatory capital requirements has not been quantified. The audit for FY2018 is also still ongoing.
17. SGX Regco will require the Board to justify to shareholders the rationale for the Proposed Disposal.
18. SGX Regco is of the view that information stated in paragraphs 15 to 17 are critical for shareholders to make informed decision in relation to the Proposed Disposal.
19. Pursuant to Catalyst Rules 305(1)(b) and 305(1)(k), SGX Regco requires the Company to ensure that the definitive agreement on the Proposed Disposal, if entered into, contains the following conditions precedent, which must also be disclosed in the circular to shareholders. For avoidance of doubt, the Proposed Disposal can only be completed after the following conditions are met:
 - (a) The Board obtains explicit confirmation from the FCA in relation to AML's compliance with the CET1 requirements, and accordingly, the amount of shortfall in regulatory capital requirements. In the event the Board or AML is unable to obtain such confirmations from the FCA, the Company must disclose in detail, efforts expended to seek clarifications from the FCA. The Company must also quantify the shortfall in regulatory capital based on (i) its existing computation and (ii) KPMG's opinion.
 - (b) Completion of the audit of AML and the Group, and release of the respective audited financial statements for FY2018. In the event the audit of AML and the Group is not completed prior to the dispatch of the shareholder's circular on the Proposed Disposal, the audited financial statements and Annual Report must be announced in good time via SGXNET prior to the Extraordinary General Meeting. This is to enable shareholders to have adequate time to analyze and interpret the information and make an informed decision when exercising their votes.
 - (c) The Board obtains SGX Regco's clearance for the circular in relation to the Proposed Disposal, before the circular can be dispatched to shareholders prior to the Extraordinary General Meeting to be convened. Submission of the draft circular to SGX Regco must be made in advance, factoring in reasonable and adequate time for review and clearance.

- (d) The Group obtains shareholders' approval for the Proposed Disposal.
 - (e) The Group obtains all other regulatory approvals from, including but not limited to, the FCA and the Exchange, as required.
20. In addition, pursuant to Catalist Rules 305(1)(b), SGX Regco requires the Board to disclose the following in the circular to shareholders:
- (a) Rationale for the Proposed Disposal and justifications on why the Proposed Disposal is in the best interest of the Group and shareholders.
 - (b) Explain the developments in the Group since the IPO in March 2018 till date, leading to the Proposed Disposal.
 - (c) The Group's business plans and directions going forward.
21. Please note that this Notice is an official notification to the Company with immediate effect.
22. Pursuant to Catalist Rule 305(4), failure to comply with the requirements imposed by the Exchange shall be deemed to be a contravention of the Rules.
23. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX Regco reserves the right to take disciplinary action against the Company and / or Relevant Persons for breaches of the Listing Rules, including any failure to comply with the requirements imposed by the Exchange.

Yours faithfully,

A handwritten signature in blue ink, appearing to be "June Sim", written over a faint blue line.

f June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Mr. Ding Hock Chai, UOB Kay Hian Private Limited