

20 October 2017

Withers SBL

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Secretary
Novatti Group Limited
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Level 1, 293 Swanston Street
Melbourne VIC 3000

Dear Sirs

Madam Qing Li-Notice of Initial substantial holder

We attach a Notice of Initial Substantial Holder for and on behalf of Madam Qing Li.

Yours faithfully



Justin Shmith

Principal

Withers SBL

Form 603

Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Novatti Group Limited

ACN/ARSN 606 556 183

1. Details of substantial holder (1)

Name QING LI

ACN/ARSN (if applicable) N/A

The holder became a substantial holder on

11 / October / 2017

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	25,000,000	25,000,000	18.45% (based on 135,513,709 ordinary shares on issue)

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Xiadi Chen	Registered holder of the shares acquired pursuant to a Share Subscription and Option Agreement (a copy of which is set out as Annexure A).	12,500,000
Qing Li	Registered holder of the shares acquired pursuant to a Share Subscription and Option Agreement (a copy of which is set out as Annexure A).	12,500,000

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Xiadi Chen	Xiadi Chen	Xiadi Chen	12,500,000
Qing Li	Qing Li	Qing Li	12,500,000

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Xiadi Chen	11 October 2017	\$1,750,000		12,500,000 ORD
Qing Li	11 October 2017	\$1,750,000		12,500,000 ORD

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Xiadl Chen	Advisor to Mr Xiadl Chen

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
Qing Li	Sanlitun SOHO 16-2205, Chaoyang District, Beijing, China, 100027
Xiadl Chen	Sanlitun SOHO 16-2205, Chaoyang District, Beijing, China, 100027

Signature

print name QING LI

capacity

sign here



date 19/10/17

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 606 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).


See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

ANNEXURE A

This is Annexure A of 24 pages (including this page) referred to in the accompanying Form 603.

Signed by: Qing Li:

Print Name: Qing Li:

Sign here :  _____

Dated : 19/10/17

The copy attached to this Annexure A is a true copy of the original.

NOVATTI GROUP LIMITED
ACN 606 556 183

XIADI CHEN

**SHARE SUBSCRIPTION
AND OPTION AGREEMENT**



Milcor Legal

Milcor Legal Pty Ltd
ACN 603 943 593

Att Level 1, 6 Thudina Street West Perth WA 6005
P: PO Box 1975 West Perth WA 6007

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THIS AGREEMENT is made on 10 OCTOBER 2017
BETWEEN **NOVATTI GROUP LIMITED ACN 606 556 183** of Suite 1, 293 Swanston Street, Melbourne, Victoria, Australia (**Company**)
AND The person whose details are set out in item 1 of Schedule 1 (**Subscriber**)

BACKGROUND

The Subscriber has agreed to subscribe for Shares and to receive a grant of the Options on the terms of this document.

OPERATIVE PART

It is agreed as follows:

1 INTERPRETATION

1.1 Definitions

In this document:

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.

Authorisation means:

- (a) an authorisation, consent, licence, declaration, approval, exemption, notarisation or waiver, however it is described; and
- (b) in relation to anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken,

including any renewal or amendment of any of the above.

Board means the board of directors of the Company.

Business Day means a day which is not a Saturday, Sunday or public holiday in Melbourne, Victoria.

Corporations Act means Corporations Act 2001.

Director Shares means any Share:

- (a) held by or on behalf of a member of the Board; or
- (b) listed as an indirect interest in an Appendix 3X or 3Y of the Listing Rules lodged by the Company with ASX in respect of any member of the Board.

Encumbrance means any interest or power:

- (a) reserved in or over any interest in any asset including, but not limited to, any retention of title; or

- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for payment of a debt, any other monetary obligation or the performance of any other obligation, or any trust or any retention of title and includes, but is not limited to, any agreement to grant or create any of the above.

Escrow Account means the joint interest-bearing bank account at Westpac Private Bank Melbourne to be established by the Escrow Agent upon execution of this document in accordance with clause 2.2 and the Escrow Deed.

Escrow Agent means Michael Kenneth Trumble.

Escrow Deed means the deed, in agreed form, to be executed by the parties and delivered to the Escrow Agent upon execution of this document instructing and authorising the Escrow Agents to establish and operate the Escrow Account.

Events of Default means any of the following events:

- (a) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of the Company;
- (b) a liquidator or provisional liquidator is appointed in respect of the Company;
- (c) the Company entering into or proposing an arrangement or compromise for the benefit of creditors;
- (d) the Company becoming unable to pay debts as and when they fall due for payment; and
- (e) the Company having failed to comply with a statutory demand within the meaning of section 459F of Corporations Act.

Exercise Price has the meaning given to it in paragraph (b) of Schedule 2.

Expiry Date has the meaning given to it in paragraph (c) of Schedule 2.

Final Prescribed Threshold means 40% of the issued share capital of the Company.

Government Agency means:

- (a) government or governmental, semi-governmental or judicial entity or authority; or
- (b) minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government.

It also includes any regulatory organisation established under statute or any stock exchange.

Horizon Date means the date set out in item 7 of Schedule 1.

Listing Rules means the official listing rules of ASX as amended from time to time.

Nominated Director has the meaning given to it in clause 6(a).

Nominee means such person who the Subscriber notifies to the Company on the date that is at least two Business Days prior to the issue date for the Tranche A Shares or Tranche B Shares, as the case may be, provided that the identity of that person is approved in writing by the Company (acting reasonably) and, notwithstanding such nomination, following their issue the Subscriber will have a "relevant interest" (as provided for in section 608 of the Corporations Act) in all of the Subscription Shares and Options.

Options means that number of options to subscribe for Shares as set out in item 6 of Schedule 1 on the terms and conditions set out in Schedule 2 and in clause 4.4.

Price means the aggregate of the Tranche A Proceeds and the Tranche B Proceeds.

related body corporate has the meaning given to it in the Corporations Act.

Release Date means the earlier to occur of:

- (a) the date on which the conditions in clause 3.1 are satisfied or waived and the condition in clause 3.2 is satisfied, there having been no Event of Default occurring on or before that date or, if so, the conditions in clause 3.1 having been waived by the Subscriber within 10 Business Days following the Event of Default occurring;
- (b) if any of the conditions in clause 3.1 is not satisfied or waived and the condition in clause 3.2 is not satisfied by the Sunset Date;
- (c) an Event of Default occurring and the Subscriber not having waived the condition in clause 3.1 within 10 Business Days following the Event of Default occurring; and
- (d) the Sunset Date.

Shares means fully paid ordinary shares in the capital of the Company.

Subscription Shares means the Tranche A Shares and the Tranche B Shares.

Sunset Date means the date set out in item 8 of Schedule 1.

Tranche A Shares means the number of Shares set out at item 2 of Schedule 1.

Tranche A Proceeds means the amount set out in item 3 of Schedule 1.

Tranche B Shares means the number of Shares set out at item 4 of Schedule 1.

Tranche B Prescribed Threshold means 34.7 % of the issued share capital of the Company.

Tranche B Proceeds means the amount set out in item 5 of Schedule 1.

1.2 Construction

Unless expressed to the contrary:

- (a) words importing:
 - (i) the singular include the plural and vice versa;
 - (ii) any gender includes the other genders;
- (b) if a word or phrase is defined cognate words and phrases have corresponding definitions;
- (c) a reference to:
 - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes its legal personal representatives, successors and assigns;
 - (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (iv) a right includes a benefit, remedy, discretion, authority or power;
 - (v) an obligation includes a warranty or representation and a reference to a failure to observe or perform an obligation includes a breach of warranty or representation;
 - (vi) the words "include", "includes" or "including" or any other grammatical form of those words must be construed as if they are followed by "without limitation";
 - (vii) an obligation not to do something includes an obligation not to cause or allow that thing to be done;
 - (viii) time is to local time in Melbourne, Victoria;
 - (ix) "\$" or "dollars" is a reference to the lawful currency of Australia;
 - (x) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes email and facsimile transmissions; and
 - (xi) any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them; and
- (d) a reference to this document includes all Schedules, Annexures and Appendices referred to in it.

1.3 Headings

Headings do not affect the interpretation of this document.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2 SUBSCRIPTION AND GRANT

2.1 Share Subscription

The Subscriber hereby subscribes for, or must procure that its Nominee subscribes for, the Subscription Shares at an aggregate issue price of the Price and the Company agrees to issue to the Subscriber or its Nominee the Subscription Shares on the terms and conditions of this document.

2.2 Escrow Agent

Promptly upon execution of this document, the parties must:

- (a) sign and deliver the Escrow Deed to the Escrow Agent; and
- (b) procure that the Escrow Agent promptly establishes the Escrow Account.

2.3 Issue of Tranche A Shares

Subject to satisfaction or waiver of the conditions in clause 3.1, the Company shall allot and issue to the Subscriber or its Nominee the Tranche A Shares immediately upon its receipt of the Tranche A Proceeds as contemplated by clause 4.1.

2.4 Issue of Tranche B Shares and Grant of Options

Subject to payment of the Tranche B Proceeds to the Escrow Account on or before the Horizon Date (or such later date agreed by the Company and the Subscriber in writing) and satisfaction of the conditions in clauses 3.1 and 3.2, the Company shall, immediately upon satisfaction of such conditions:

- (a) allot and issue to the Subscriber or its Nominee the Tranche B Shares; and
- (b) grant the Options to the Subscriber or its Nominee as separate securities but free.

2.5 Quotation and Holding Statements

The Company shall as soon as practicable and in any event within one Business Day following the date of issue of the Tranche A Shares or Tranche B Shares, as the case may be:

- (a) apply for quotation of the Tranche A Shares or Tranche B Shares, as the case may be, on ASX and do all things reasonably necessary to procure quotation of the relevant Shares; and

- (b) notify its share registrar to issue to the Subscriber or its Nominee:
 - (i) holding statements for the Tranche A Shares or Tranche B Shares, as the case may be, upon their issue; and
 - (ii) a certificate or holding statement for the Options once granted in accordance with clause 2.4(b).

2.6 Ranking of Shares

All Subscription Shares issued to the Subscriber or its Nominee under or pursuant to this document shall rank equally in all respects with the other then existing Shares on and from the date of allotment of the respective Subscription Shares and shall be entitled to all dividends and other distributions, the record date or dates for which falls on a date on or after the date of allotment and issue of the respective Subscription Shares.

2.7 Rights

All Subscription Shares issued to the Subscriber will:

- (a) be issued as fully paid; and
- (b) be free from Encumbrance.

2.8 Completion simultaneous

The actions to take place as contemplated by:

- (a) in the case of the Tranche A Shares, clauses 2.3 and 4.1; and
- (b) in the case of the Tranche B Shares and the Options, clauses 2.4 and 4.2(d),

are interdependent and must take place, as nearly as possible, simultaneously. If one action does not take place, then without prejudice to any rights available to any party as a consequence:

- (c) there is no obligation on any party to undertake or perform any of the other actions; and
- (d) to the extent that such actions have already been undertaken, the parties must do everything reasonably required to reverse those actions.

2.9 Constitution

Upon allotment and issue of the Tranche A Shares, the Subscriber agrees, and must procure that any Nominee agrees, to be bound by the constitution of the Company.

3 CONDITIONS

3.1 Conditions to all issues

The obligations of the parties in respect of the allotment and issue of and payment for the Subscription Shares under this document are subject to and conditional upon:

- (a) the ASX not indicating to the Company that it will refuse to grant quotation of the Subscription Shares or otherwise make quotation conditional;
- (b) no Event of Default occurring;
- (c) the warranties given by the Company remaining true and correct in all material respects immediately before the allotment or issue of and payment for the relevant Subscription Shares or grant of Options; and
- (d) no breach of the undertakings by the Company in clause 5.8.

3.2 Conditions to Tranche B Shares Issue

The obligations of the parties in respect of the allotment and issue of and payment for the Tranche B Shares and grant of the Options under this document are subject to and conditional upon, on or before the Sunset Date, the Company obtaining all necessary or desirable Authorisations, including shareholder and regulatory approvals for the transactions contemplated by this document, including approvals for all purposes under the Listing Rules (including Listing Rule 7.1) and section 611, Item 7 of the Corporations Act.

3.3 Waiver

The parties acknowledge that the conditions in clause 3.1 are imposed for the benefit of the Subscriber or its Nominee, as the case may be, and only the Subscriber or its Nominee may waive that condition in whole or in part and that the conditions in clause 3.2 cannot be waived by either party.

3.4 Obligation to satisfy conditions

The parties acknowledge that:

- (a) they must each use reasonable endeavours (other than waiver) to ensure that the conditions in clauses 3.1 and 3.2 are satisfied on or before the Sunset Date;
- (b) the Subscriber must provide all information and assistance reasonably required by the Company in order for the Company to obtain the necessary approvals the subject of the condition in clause 3.2; and
- (c) they must keep each other informed of any circumstances which may result in any of the conditions in clauses 3.1 or 3.2 not being satisfied in accordance with its terms.

3.5 Shareholders' approval

Without limiting clause 3.4, in connection with satisfying the conditions in clause 3.2, the Company will, subject to payment of the Tranche B Proceeds to the Escrow Account on or before the Horizon Date (or such later date agreed by the Company and the Subscriber in writing):

- (a) procure that each member of the Board:
 - (i) publicly recommends that the shareholders of the Company vote in favour of the required resolutions; and

- (ii) vote, or procure the voting of, any Director Shares of that member of the Board in favour of the resolutions;
- (b) prepare a notice of meeting to seek the approval of the members of the Company for the purposes of the conditions in clause 3.2, and:
 - (i) the Company will consult in good faith with the Subscriber in relation to the form and content of the notice; and
 - (ii) the notice will include a unanimous recommendation by the Board that members vote in favour of the required resolutions and a statement that each member of the Board intends to vote, or procure the voting of, their Director Shares in favour of the resolutions;
- (c) promptly appoint an appropriately qualified independent expert to prepare an independent expert's report on the transaction as it will be put to members for approval for the purpose of the condition in clause 3.2 and provide all assistance and information reasonably requested by the expert in connection with the preparation of the report; and
- (d) convene a general meeting and dispatch the notice of meeting (together with the independent expert's report contemplated by clause 3.5(c)) to its members as soon as reasonably practicable after payment of the Tranche B Proceeds to the Escrow Account.

3.6 Sunset Date

If the Tranche B Proceeds are not paid into the Escrow Account on or before the Horizon Date (or such later date agreed by the Company and the Subscriber in writing) or any of the conditions in clauses 3.1 and 3.2 are not satisfied or waived (where permitted), become incapable of satisfaction or the parties agree that it cannot be satisfied by the Sunset Date, then:

- (a) the Company shall have no obligation to:
 - (i) allot and issue the Tranche B Shares; or
 - (ii) grant the Options; and
- (b) clause 4.2(d)(ii) shall apply.

For the avoidance of doubt, termination of the effect of clauses 2.4 and 4.2(a) under this clause 3.6 will not affect the parties rights and obligations under any other clauses of this document.

4 PAYMENT

4.1 Payment for Tranche A Shares

Subject to the satisfaction or waiver of the conditions in clause 3.1, the Subscriber shall pay the Tranche A Proceeds to the Company by electronic bank transfer to an account nominated by the Company by written notice to the Subscriber on or about the date of this document within three Business Days of the date of this document. Any and all

withholdings, cost of exchange, banking charges and all other costs, fees, taxes and charges shall be payable by the Subscriber and shall be in addition to the amount of the Tranche A Proceeds.

4.2 Payment for Tranche B Shares

- (a) Subject to the satisfaction or waiver of the conditions in clause 3.1, the Subscriber shall pay the Tranche B Proceeds to the Escrow Account by electronic bank transfer on or before the Horizon Date (or such later date agreed by the Company and the Subscriber in writing), and the Tranche B Proceeds shall be held on behalf of the Company and the Subscriber in accordance with the terms of this document and the Escrow Deed. Any and all withholdings, cost of exchange, banking charges and all other costs, fees, taxes and charges shall be payable by the Subscriber and shall be in addition to the amount of the Tranche B Proceeds.
- (b) No amount shall be released from the Escrow Account otherwise than in accordance with this clause 4.2 and the terms of the Escrow Deed.
- (c) Any interest that may accrue on the credit balance on the Escrow Account from time to time shall be credited to the Escrow Account. Upon release of the Tranche B Proceeds from the Escrow Account, the interest earned on the credit balance in the Escrow Account shall be first used for payment of the Escrow costs to the Escrow Agent and the balance be paid to the Subscriber. The liability to any taxation on such interest shall be borne by the Subscriber.
- (d) As soon as practicable following the Release Date (and in any event within five Business Days of such date), the parties shall instruct the Escrow Agent to make the following payments from the Escrow Account:
 - (i) if the conditions in clause 3.1 are satisfied or waived and the condition in clause 3.2 is satisfied on or before the Sunset Date, the Tranche B Proceeds shall be paid to the Company by way of electronic bank transfer; and
 - (ii) if any of the conditions in clause 3.1 are not satisfied or waived and the condition in clause 3.2 is not satisfied on or before the Sunset Date or an Event of Default occurs and the Subscriber does not waive the condition in clause 3.1 within 10 Business Days following the Event of Default occurring, the Tranche B Proceeds shall be paid to the Subscriber by way of electronic bank transfer.
- (e) Upon all funds being released from the Escrow Account, the parties shall promptly instruct the Escrow Agent to close the Escrow Account.
- (f) The Buyer and the Sellers each agree to:
 - (i) provide all such information or documentation as may be reasonably required to enable the Escrow Agent to establish the Escrow Account in accordance with this document and the Escrow Deed; and

- (ii) promptly give such instructions to the Escrow Agent and take all other actions in relation to the Escrow Account as are necessary to give effect to the provisions of clause 2.4 and this clause 4.2.

4.3 Adjustment to number of and price of Tranche B Shares

Other than the issue of the Tranche A Shares, to the extent that there is a reorganisation of the capital of the Company, an issue of Shares or options or other event in the period from the date of this document to the date for the issue and allotment of the Tranche B Shares with the result that the number of the Subscription Shares will not be equal to or greater than the Tranche B Prescribed Threshold on the date for the issue and allotment of the Tranche B Shares, then:

- (a) the number of Tranche B Shares will be increased by the number of Shares required for the Subscriber or its Nominee to hold the Prescribed Threshold on the date for the issue and allotment of the Tranche B Shares; and
- (b) the issue price for the Tranche B Shares will be reduced proportionate to the increase in the number of Tranche B Shares and in such manner that the Tranche B Proceeds are not increased.

4.4 Adjustment to number of and exercise price of Options

Other than the issue of the Subscription Shares, to the extent that there is a reorganisation of the capital of the Company, an issue of Shares or options or other event in the period from the date of this document to the Expiry Date with the result that the number of Subscription Shares and Shares issued on exercise of the Options will not be equal to or greater than the Final Prescribed Threshold on or before the Expiry Date, then the number of Shares which must be issued on the exercise of an Option will be increased by such number of Shares required for the Subscriber or its Nominee to hold the Final Prescribed Threshold on the Expiry Date and no change will be made to the Exercise Price.

5 WARRANTIES

5.1 Warranties by parties

Each party warrants and represents to the other party, at the date of this document and on each of the dates of allotment and issue of the Tranche A Shares and the Tranche B Shares, that:

- (a) it has full legal capacity and power to enter into this document, (except as contemplated in this document) comply with the terms of this document and carry out the transactions that it contemplates;
- (b) this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms and conditions;
- (c) to the best of its knowledge having made all reasonable enquiries, neither the subscription under this document nor the issue of Shares or grant of the Options will violate or contravene any securities or other laws of any jurisdiction or any provision of a judgement binding on it, its constituent documents or any document, agreement or other arrangement binding on it or its assets; and

- (d) it holds, or will hold on or prior to the issue of the Subscription Shares, each Authorisation that is necessary to:
- (i) execute this document and to carry out the transactions that this document contemplates;
 - (ii) ensure that this document is legal, valid, binding and admissible in evidence; and
 - (iii) enable it to properly carry on its business,
- and it is complying with any condition to which any of these Authorisation is subject.

5.2 Warranties by the Subscriber

The Subscriber warrants and represents to the Company, at the date of this document and on each of the dates of allotment and issue of the Tranche A Shares and the Tranche B Shares, that:

- (a) no application has been made for his bankruptcy and he has not filed for bankruptcy;
- (b) no receiver, receiver and manager, trustee for creditors or trustee in bankruptcy or analogous person has been appointed to any of his property or assets and no creditor has taken possession of any of his property or assets;
- (c) he has not proposed or reached any voluntary arrangement with a creditor;
- (d) acknowledging the approvals to be sought pursuant to the condition in clause 3.2, the issue of the Shares will not result in a breach of Chapter 6 of the Corporations Act;
- (e) the offer of the Shares to the Subscriber will be an offer which does not require a disclosure document pursuant to section 708 of the Corporations Act;
- (f) the Subscriber subscribes for the Shares as principal and not for the purposes of selling or transferring them or granting, issuing or transferring interests in or options or warrants over them to any other party or parties; and
- (g) it is not the Subscriber's current intention to sell the Shares during the 12 month period from their allotment date.

5.3 Warranties by the Company

The Company warrants and represents to the Subscriber, at the date of this document and on each of the dates of allotment and issue of the Tranche A Shares and the Tranche B Shares, that:

- (a) it is a company limited by shares under the law of the place of its incorporation;

- (b) it has taken all corporate action that is necessary or desirable to authorise its entry into this document, its compliance with the terms of this document and its carrying out the transactions that it contemplates;
- (c) the Company is not in breach of, and will not before the relevant dates of allotment and issue of the Tranche A Shares and Tranche B Shares, breach the Listing Rule 3.1 or Chapter 6CA of the Corporations Act;
- (d) as at the date of this document, there is no "excluded information" relating to the Company within the meaning of section 708A(7) of the Corporations Act other than as set out in the announcement in connection with this document;
- (e) from the date of this document, the Company has not ceased to be admitted to the official list of ASX;
- (f) the Shares will be quoted securities at all times in the 3 months before each of the dates of allotment and issue of the Tranche A Shares and Tranche B Shares and trading in the Shares on ASX will not be suspended for more than a total of 5 days during the period of 12 months before each of the dates of allotment and issue of the Tranche A Shares and Tranche B Shares;
- (g) ASIC has not made a determination for contravention by the Company within the previous 12 months before the date of allotment and issue of the Tranche A Shares or Tranche B Shares of any of the provisions listed in section 708A(2) of the Corporations Act;
- (h) the Company is issuing the Subscription Shares for a purpose that does not include any or all of the Subscription Shares being offered for the purpose of the person to whom they are issued selling or transferring them or granting, issuing or transferring interests in, or options or warrants over them;
- (i) the issue of the Subscription Shares will not contravene the Listing Rules;
- (j) at the date of this document, the Company or any of its subsidiaries holds a valid Australian Financial Services Licence for non-cash payments or any other licence(s) required by law to conduct and operate its e-commerce payment business;
- (k) the Company has not provided any information to the Subscriber that it is aware is misleading in any material respect and, so far as the Company is aware, no information has been omitted that would render such information misleading in any material respect;
- (l) no member approval is required for the Company to issue the Tranche A Shares; and
- (m) as at the date of this document and as at the date of the issue and allotment of the Tranche A Shares the capital structure of the Company is as set out in Schedule 3.

5.4 Reliance

Each party acknowledges that the other party has executed this document and agreed to take part in the transactions that it contemplates in reliance on the representations and warranties and undertakings that are made in this clause 5.

5.5 Notice of breach

- (a) The Company undertakes to the Subscriber that it will notify the Subscriber as soon as practicable after it becomes aware of a breach of any representation or warranty under clause 5.1 relating to it or of any representation or warranty under clause 5.3 or any undertaking given by it in this document.
- (b) The Subscriber undertakes to the Company that it will notify the Company as soon as practicable after it becomes aware of a breach of any representation or warranty under clause 5.1 relating to it or of any representation or warranty under clause 5.2 or any undertaking given by it in this document.

5.6 Survival

The representations, warranties and indemnities given by a party under this document shall not merge upon the completion of the transactions contemplated by this document.

5.7 Benefit of warranties

Each Nominee, whether or not a party to this document will be entitled to the benefit of this clause 5 and this clause 5 is entered into and may be enforced on that Nominee's behalf by the Subscriber.

5.8 Undertakings Prior to the Release Date

Except with the prior written consent of the Subscribers, the Company undertakes that prior to the Release Date:

- (a) the Company will not convert all or any of its Shares into a larger or smaller number of shares or vary the rights attaching to any of its Shares;
- (b) the Company and its related bodies corporate will not distribute or return capital to its members or reduce its share capital in any way or resolve to do the same;
- (c) the Company and its related bodies corporate will not declare, make or pay any dividend or other distribution;
- (d) the Company and its related bodies corporate will not enter into a buy-back agreement or resolve to approve the terms of a buy back agreement;
- (e) other than the issue of the Subscription Shares pursuant to this document, the Company and its related bodies corporate will not create or issue any share or loan capital or give or agree to give any option or right of conversion in respect of share or loan capital;

- (f) the Company and its related bodies corporate will not dispose of or agree to dispose of the whole or substantial part of that entity's or Company's business or assets;
- (g) the Company and its related bodies corporate will not create, extend, grant or issue or agree to create, grant, extend or issue any Encumbrance; and
- (h) other than with respect to the issue of the Subscription Shares pursuant to this document, the Company will not pass any resolution of its members or make any alteration to the Constitution.

6 APPOINTMENT OF DIRECTOR

- (a) Following the issue and allotment of the Tranche A Shares, the Subscriber will have the right, but not the obligation, to appoint a person as non-executive director of the Company (**Nominated Director**) by written notice to the Company, and the company must procure the appointment of the Nominated Director as a director of the Company as soon as practicable after receiving the written notice from the Subscriber subject to receipt of a consent to act in accordance with the Corporations Act signed by the Nominated Director.
- (b) If the Subscriber holds less than 19.9% of the issued Shares for more than 30 consecutive days on which the ASX is open for trading, the Subscriber will procure that the Nominated Director tenders his or her resignation to the Board for consideration.
- (c) If a director of the Company nominated by the Subscriber under this clause 6 retires or is removed from the Board (other than in the circumstances set out in the clause 6(b)), the Subscriber will have the right, but not the obligation to appoint a replacement non-executive director to the Board by written notice to the Company, and the Company must procure the appointment of such person as a director of the Company as soon as practicable after receiving written notice from the Subscriber, subject to receipt of a consent to act in accordance with the Corporations Act signed by the person.

7 CONFIDENTIALITY AND PUBLIC ANNOUNCEMENT

Each party must treat the existence and terms of this document as confidential information and no announcement or communication relating to the negotiations of the parties or to the existence, subject matter or terms of this document may be made or authorised by a party unless:

- (a) the parties have first given their written approval; and
- (b) the disclosure is to the party's employees, consultants, professional advisers, bankers, financial advisers or financiers or to a person whose consent is required under this document or for a transaction contemplated by it and those persons undertake to keep confidential any information so disclosed; or
- (c) the disclosure is made to comply with any applicable law (including Listing Rules), the party promptly gives notice of its intended disclosure to, and consults with, the other party to the extent practicable, and uses its reasonable endeavours

consistent with its obligations to minimise any such disclosure and to ensure that any confidential information so disclosed will be treated confidentially (unless required by law).

8 MISCELLANEOUS

8.1 Own investigations

The Subscriber acknowledges and agrees that:

- (a) it has conducted all due enquiries and investigations into the Company and has decided to subscribe for the Shares based on its own enquiries and investigations and without any reliance whatsoever on any representations or information provided by the Company, its officers, related bodies corporate or advisers except to the extent provided in the document;
- (b) an investment in the Shares involves a degree of risk and that the Shares are, therefore, a speculative investment;
- (c) no prospectus or other disclosure document has been prepared or lodged with the Australian Securities and Investments Commission in connection with the Tranche A Shares and their proposed or actual allotment and issue to the Subscriber;
- (d) the Company is not issuing the Shares for the purpose of the Subscriber selling or transferring them, or granting, issuing or transferring interests in, or options or warrants over them; and
- (e) it has obtained its own financial, business, tax and legal advice in relation to the Company and its decision to subscribe for the Shares pursuant to the provisions of this document.

8.2 Notices

Any notice or other communication which must be given, served or made under or in connection with this document must be in writing, signed by an authorised person of the sender and will be deemed to have been duly given, served or made if it is delivered or posted by prepaid post to the address of the party detailed in this document, or sent by email to the email address set out below:

- (a) in the case of the Company:

Address: Suite 1, 293 Swanston Street,
Melbourne Vic. 3000
Australia

Email: Peter.Cook@novatti.com

Attention: Chief Executive Officer

with a copy to:

Address: Milcor Legal
Level 1, 6 Thelma Street
West Perth WA 6000
Australia

Email: steven@milcorlegal.com

Attention: Steven Papadopoulos

(b) in the case of the Subscriber:

Address: Sanlitun SOHO 16-2206 ,
Chaoyang District, Beijing
China Postcode : 100027

Email: liqingbj1216@163.com

Attention: Madam Qing Li

and will be deemed to be served, given or made:

- (c) **in the case of prepaid post:** on the seventh Business Day after the date of posting;
- (d) **in the case of email:** on sending, unless the sender receives an automated email notifying the sender of non-delivery or delivery error in relation to the sender's email; and
- (e) **in the case of delivery by hand:** on delivery.

8.3 Severability

Any provision of this document which is illegal, void or unenforceable is only ineffective to the extent of that illegality, voidness or unenforceability, without invalidating the remaining provisions.

8.4 Entire Agreement

This document constitutes the entire agreement in relation to its subject matter and replaces and supersedes all prior documentation, discussions and negotiations in that regard.

8.5 Counterparts

This document may consist of a number of counterparts and if so the counterparts taken together constitute one document.

8.6 Further steps

Each party will promptly execute all documents and do all things that any other party from time to time requires of it to give effect to this document and to perform its obligations under it.

8.7 Assignment etc.

The Company's agreement arising from this document to issue the Shares to the Subscriber is personal to the Subscriber and its Nominee. The Subscriber and its Nominee may not assign, novate, transfer, or in any other manner, deal with its rights or obligations under this document without the prior written consent of the Company.

8.8 Costs

Each party shall bear its own legal and other costs relating to this document.

8.9 Governing law and jurisdiction

This document is governed by and is to be construed in accordance with the laws applicable in Victoria and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

SCHEDULE 1**Details****Item 1 – Subscriber**

Xiadi Chen
Sanlitun SOHO 16-2206 , Chaoyang District, Beijing China Postcode 100027

Item 2 – Tranche A Shares

25,000,000 Shares

Item 3 – Tranche A Price

Issue price per Share: \$0.14 per Share

Total price: \$3,500,000

Item 4 – Tranche B Shares

33,823,530 Shares as may be adjusted under clause 4.3

Item 5 – Tranche B Price

Issue price per Share: \$0.19217 per Share as may be adjusted under clause 4.3

Total price: \$6,500,000

Item 6 – Options

15,000,000 Options

Item 7 – Horizon Date

30 November 2017

Item 8 – Sunset Date

28 February 2018

SCHEDULE 2**Options Terms and Conditions**

The terms and conditions attaching to the Options are as follows:

(a) **Entitlement**

The Options will entitle the holder to subscribe for one Share upon the exercise of each Option that has vested in the holder. If the Options are subject to vesting, where the relevant person is no longer employed or engaged, as the case may be, by the Group on a vesting date, the Options will not vest to that holder. Options that have previously vested in the holder shall be retained by the holder.

(b) **Exercise price**

The exercise price of each Option will be \$0.25 (**Exercise Price**).

(c) **Expiry date**

The expiry date of each Option shall be the date that is 60 days from their date of grant (**Expiry Date**).

(d) **Exercise period**

The Options are exercisable at any time on or prior to the Expiry Date.

(e) **Notice of exercise**

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(f) **Shares issued on exercise**

Shares issued on exercise of the Options will rank equally with the other issued Shares.

(g) **Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

After an Option is validly exercised, the Company must as soon as possible:

(i) allot and issue the Share; and

(ii) do all such acts matters and things to obtain:

(A) the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option; and

(B) receipt of cleared funds equal to the sum payable on the exercise of the Options.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten Business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(j) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(k) **Adjustment for rights issue of Shares**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

Where:

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

(l) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) **Unlisted Options**

The Company will not apply for quotation of the Options.

(n) **Options transferable**

The Options are not transferable without the prior written consent of the Company and, in any event, shall be subject to compliance with the Corporations Act.

(o) **Lodgement instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

SCHEDULE 3**Capital Structure of the Company**

1. Shares: 110,513,709
2. Options: 30,416,250 unquoted options comprised of the following:
 - 10,200,000 unquoted options exercisable at \$0.20 each on or before 30 June 2019 (NOVAA).
 - 9,859,250 unquoted options exercisable at \$0.20 each on or before 30 June 2019 (NOVAF).
 - 4,250,000 unquoted options exercisable at \$0.20 each on or before 30 June 2019 (NOVAG).
 - 500,000 unquoted performance options exercisable at \$0.20 each on or before 30 June 2019 (NOVAG).
 - 3,107,000 unquoted options exercisable at \$0.20 each on or before 31 December 2019 (NOVAG).
 - 1,000,000 unquoted options exercisable at \$0.20 each on or before 31 December 2019 (NOVAH).
 - 1,500,000 unquoted options exercisable at \$0.25 each on or before 31 May 2019 (NOVAH).

EXECUTED as an agreement

EXECUTED by NOVATTI GROUP
LIMITED ACN 606 556 183 pursuant to
section 127(1) of the Corporations Act
in the presence of

Secretary (print)

Name of Secretary/Director (print)

Director

Name of Director (print)

EXECUTED by XIADI CHEN
before me

Witness

Name of Witness (print)

Xiadi Chen

Andrews, Jody

From: Shmith, Justin
Sent: Friday, 20 October 2017 10:44 AM
To: Andrews, Jody
Subject: Novatti Group Limited-Form 603-Notice of Initial Substantial Holder-Madam Li
Attachments: Novatti-Form 603 signed.pdf; Novatti-signed cover letter.pdf

Can you plse fax the attachments to Market Announcements Office at the ASX (fax no. 1300 135 638). Just say Letter attached on cover sheet.