

ASX ANNOUNCEMENT

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Novatti expands further into booming China-Australia e-payments market

Highlights:

- **Novatti signs an agreement to expand reach into multi-billion dollar Chinese payments processing market for all major Chinese e-wallet providers and 19 Chinese banks.**
- **This enables processing of payments from Chinese consumers shopping on Australian websites and trade payments from Chinese merchants to Australian exporters.**
- **The agreement is in addition to Novatti's recent deal with RoyalPay to process WeChat Wallet payments by Chinese visitors at Australian retail stores.**
- **The agreement is consistent with Novatti's strategy to create a market leading service that capitalises on the booming trade between China and Australia.**

Novatti Group Limited (ASX: NOV, "Novatti" or the "Company") is pleased to announce that it has signed an agreement with LatiPay that will enable Novatti to expand its payments service to cover Australian e-commerce and trade payments from China through WeChat Pay, AliPay, JD Pay and 19 Chinese banks in Australia.

The distribution and integration partnership agreement with LatiPay, an award-winning New Zealand-based payment service aggregator that is owned by Latitude Technologies, will provide Novatti with the tools and collateral to onboard Australian businesses to a platform where online retailers and exporters will be able to accept and request payments in real-time directly from from 19 major banks and the leading Chinese digital wallets (e-wallets).

The agreement supports Novatti's strategy to focus on the rapidly growing demand for a faster and more cost-effective payment system to settle cross-border commerce payments from China to Australia. Novatti aims to increase transaction processing revenues within its overall revenue mix.

The deal with LatiPay also complements the agreement the Company signed with RoyalPay Australia (announced on 5 September 2016) that enables Chinese visitors to use their WeChat Wallet to make purchases at Australian stores which accept this payment type. Novatti will receive a transaction fee on every payment and the revenues will be dependent on the take up of the service.

The agreements give Novatti a significant strategic foothold into large and growing

transaction markets. These addressable markets includes:

a) In-store retail payments by Chinese tourists and students

AliPay and WeChat are the two largest e-wallet providers in China, which control around 90% of the market¹. Chinese visitors do not typically have access to Visa or MasterCard credit and debit cards. This makes e-wallets an attractive alternative to Chinese travellers at a time when the number of inbound Chinese tourists to Australia is thriving. Tourists from China make up the largest spending segment of Australia's inbound tourism market and are forecast to spend \$2.5 billion on retail goods this year². Furthermore, students from China make up the largest proportion of Australian international students in 2015, and by a large margin³.

b) Online e-commerce payments by Chinese consumers directly from China

China is recognised as the largest e-commerce market in the world with more than 300 million online shoppers⁴. The value of cross-border e-commerce transactions between China and Australia was \$50 billion in 2015⁵, and while there is no official trade data on the amount of Australian products sold into China, various surveys have consistently ranked Australia in the top four most popular sources of products for Chinese consumers. Chinese consumers and businesses often do not have a method of payment to be able to pay for goods that are denominated in Australian dollars on Australian e-commerce websites and trading platforms. Through Novatti, Australian online retailers will be able accept payments from all major Chinese e-wallet apps, and this more convenient payment option, could potentially boost sales from China.

c) Payments for business to business trade payments and direct invoicing for Australian exporters

China is Australia's largest trading partner with exports of goods and services jumping 2% (seasonally adjusted) in September 2016 from the same time the year before to \$27.3 billion⁶. Currently, receiving payment from Chinese small business customers is often cumbersome and inefficient. The new service from Novatti can potentially disrupt the payment paradigm as it will offer one of the easiest and most efficient payment systems for Australian exporters, who can now make requests for payment in real-time and directly to business customers.

"The agreement with LatiPay is another plank in our strategy to build a business to support a booming and untapped market. Chinese consumers and small businesses want to stick with their current payment systems to transact, while Australian businesses want to be paid in Australian dollars in the fastest and most cost-effective way. Novatti is building that bridge and empowering Australian businesses

to be able to grow into the large online Chinese market by enabling them to have more appropriate payment methods with very high compliance from our AFSL and Austrac reporting.” said Peter Cook, Chief Executive Officer of Novatti.

“These are huge market opportunities that are currently underserved, and with a focus on collaboration and bringing to market best of breed solutions Novatti can become a major player.”

¹ <http://www.cnbc.com/2016/03/01/tencents-charges-for-wechat-pay-users-kick-in-amid-fight-for-mobile-payment-marketshare.html>

² <http://www.crossbordermanagement.com/deep-thoughts/2016/2/14/golden-dragons-the-spending-habits-of-chinese-tourists-in-australia-1>

³ http://www.iie.org/Services/Project-Atlas/Australia/International-Students-In-Australia#.WEYh_qJ94_W

⁴ <https://www.austrade.gov.au/about-austrade/news/latest-from-austrade/2015/reach-out-to-chinas-300-million-online-shoppers>

⁵ <https://www.austrade.gov.au/australian/export/export-markets/countries/china/doing-business/e-commerce-in-china>

⁶ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0>

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About Novatti Group Limited

Novatti is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti’s robust and efficient software solutions include Consumer Digital Wallets, Electronic Top-Ups, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti’s transaction processing services include Flexepin, an open-loop cash voucher service and TransferBridge, a global remittance network.