



## HALF-YEAR REPORT 30 JUNE 2020

The information contained in this document should be read in conjunction with HSC Technology Group Ltd's (formerly HomeStay Care Ltd) annual report for the year ended 31 December 2019 and any public announcements made by the company in accordance with the continuous disclosure obligations arising from the Corporations Act 2001 and the ASX Listing rules.

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**REPORTING PERIOD**

Report for the half-year ended:	30 June 2020
Previous corresponding period is half-year ended:	30 June 2019

**RESULTS FOR ANNOUNCEMENTS TO THE MARKET**

	Current period \$	Previous corresponding period	% change
Revenue from ordinary activities	1,656,819	44,042	3,662%
Loss from ordinary activities after tax for the period attributable to members	(1,920,569)	(2,509,692)	(23)%
Loss for the period attributable to members	(1,920,569)	(2,509,692)	(23)%

**Dividends**

No dividends were declared or paid for the period ended 30 June 2020 (30 June 2019: nil). There are no dividend or distribution reinvestment plans in operation.

For a discussion on the items above refer to the Review of Operations section contained in the Directors' Report.

**NET TANGIBLE ASSETS PER SECURITY**

	June 2020 \$	June 2019 \$
Net tangible assets per security	0.0015	0.0006

**ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**

The 100% owned dormant subsidiary, AEPI Midstream Inc was deregistered on 1 May 2020 and had no material effect for the half-year ended 30 June 2020. The 100% owned subsidiary, HomeStay Care (Singapore) Pte Ltd applied for deregistration on 29 May 2020, however this was still in process as at 30 June 2020.

**ASSOCIATES AND JOINT VENTURES**

HSC Technology Group Ltd did not have any associates or joint ventures at any time during the current period or the previous corresponding period.

**INDEPENDENT AUDITOR'S REVIEW REPORT**

The half-year report has been reviewed by the Company's independent auditor and the independent auditor's review report is attached as part of the half-year report.

The directors present their report, together with the financial statements on the consolidated entity, consisting of HSC Technology Group Ltd (or 'the Company' or 'HSC') and the entities it controlled at the end of, or during, the half-year ended 30 June 2020 ('consolidated entity' or 'Group').

## **DIRECTORS**

The names of directors in office at any time during or since the end of the period are listed below. Directors have been in office since the start of the period to the date of this report unless otherwise stated.

<b>NAME OF PERSON</b>	<b>POSITION</b>	
Shannon Robinson	Non-Executive Chairman	
Graham Russell	Managing Director	
Ramsay Carter	Non-Executive Director	Appointed 16 June 2020
Wayne Cahill	Non-Executive Chairman	Resigned 16 June 2020
Sara Kelly	Non-Executive Director	Resigned 16 June 2020

## **COMPANY SECRETARY**

Stephen Rodgers (Joint Company Secretary – appointed 31 July 2020)

Marcus Fraumano (Joint Company Secretary – appointed 31 July 2020)

Melanie Ross (resigned 31 July 2020)

## **OPERATING RESULTS**

The loss of the consolidated entity amounted to \$1,920,569 (30 June 2019: \$2,509,692) after providing for income tax.

## **DIVIDENDS**

No dividends were paid or declared during the half-year. No dividend has been recommended.

## **PRINCIPAL ACTIVITIES**

The principal continuing activities of the consolidated entity during the half-year was the development and integration of an assistive technology IOT platform for the aged care and disability sectors.

## **REVIEW OF OPERATIONS**

HSC provides a suite of technology enabled care solutions to the aged and disability sectors, across multiple verticals including retirement living, residential aged care, home and community settings. Through its IoT platform, Talius, HSC helps our elderly and those with a disability to live independently for longer whilst keeping them connected to family, friends and carers.

We partner with Aged Care service providers to deliver these solutions as it provides differentiation in the market, improves operational efficiencies, provides objective data metrics, creates financial recurring revenue opportunities but most importantly enables independence, autonomy and safety for their clients.

During the financial period, the Company substantially progressed key components of its corporate strategy, inclusive of the following:

- ❖ **Increasing sales:** There has been a 3662% increase in sales relative to the corresponding period in 2019. This reflects the investment in the team and technologies which underpin the HSC go-to-market approach.
- ❖ **Focus on SaaS revenue:** Each hardware sale delivers incremental recurring SaaS revenue for HSC. This SaaS revenue stream is rapidly increasing, and we expect SaaS recurring revenue to ultimately be the key revenue stream for the business.
- ❖ **Successful delivery of strategic projects:** Significant Facility contracts have been signed with key customers such as ACH and Odyssey, which confirm the HSC strategic direction.
- ❖ **Investment in its Talius IOT Platform:** A key differentiator for the Company is its IOT platform, Talius, which integrates with best-of-breed telehealth solutions to deliver an optimised customer experience. We are continuing to invest and develop Talius, our proprietary AI data analytics platform. In consultation with our customers we are expanding the functionality and visibility with enterprise dashboards and support modules.
- ❖ **Balance Sheet:** HSC has elected to fully write off (impair) Intangible Assets relating to prior expenditure on software development, as the software is no longer part of the new management's strategy or focus. This resulted in an impairment expense of \$821,039 being incurred in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2020.
- ❖ **Investment in the distribution network:** During the past six months, we have extended our relationship with Bolton Clarke and signed up a number of new reseller agreements to extend our distributor network. Since 30 June 2020, we have also signed partner agreements with Harvey Norman Commercial Division NSW, as well as UBAC in Singapore, Harrison Technologies - Gold Coast, & MEA Technologies - Townsville.
- ❖ **Key partnerships:** We have signed strategic partnerships with key telehealth manufacturers G Medical Innovations and CardiacSense. These specialist sensors will deliver vital signs data to the Talius Ecosystem and these extra data sets will continue to deliver improved patient outcomes.
- ❖ **East Coast focus:** The Operating Company has team members nationally supporting our partners and distribution network, however our main operating hub is out of Queensland. We have continued focus on aligning the Listed and Operating companies by moving the Listed Company operations to Brisbane, Queensland. To that end, we have moved the registered address and principal place of business to Brisbane. We have also made changes to the teams providing Investor Relations, Public Relations, and Legal Counsel. The roles of Company Secretary and Chief Financial Officer have been in-sourced and also moved to the east coast. This will provide better synergy and governance.

In summary, the first six months of 2020 have been very positive for HSC. Our new team has worked incredibly hard since joining in early December 2019 and we have achieved our objectives to turn around the past legacy issues of the company. We concentrated on the basics:

- Cut costs (staff, wages, rent, consultants etc);
- Substantially increased sales (across all sectors, Community Care, Villages and Nursing Home);
- Significantly increased our partner base with sales and technical training; and
- Invested wisely in future software development that brings immediate returns.

These steps have provided a clear path to profitability in the foreseeable future, as our installations provide upfront margin together with the compounding nature of the subscription revenue which continues to increase.

**FINANCIAL POSITION**

The net assets of the consolidated entity as at 30 June 2020 were \$2,623,034, a decrease of \$846,991 from net assets of \$3,470,025 at 31 December 2019.

The consolidated entity's net working capital, being current assets less current liabilities is a surplus of \$2,215,618 (31 December 2019: \$1,890,230).

**EVENTS AFTER THE REPORTING PERIOD**

On 26 August 2020, the Company announced that it has appointed a new non-executive director and Chairman, Mr Leylan Neep, who will be joining the Board of Directors with effect from 1 September 2020. Ms Shannon Robinson will resign as a director and chair of the Company with effect from 1 September 2020.

The directors are not aware of any other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within this financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Graham Russell  
Managing Director

Dated this 28th day of August 2020

## AUDITOR'S INDEPENDENCE DECLARATION



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### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of HSC Technology Group Ltd for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Tutu Phong'.

TUTU PHONG  
Partner

Perth, WA  
Dated: 28 August 2020

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

Notes	Consolidated	
	June 2020 \$	June 2019 \$
Revenue	1,656,819	44,042
Other income	3 -	117,130
Cost of sales	(1,284,095)	(18,718)
Amortisation and depreciation expenses	(461,211)	(240,434)
Consulting fees	(76,801)	(463,882)
Employee benefits expenses	(449,114)	(1,055,068)
Marketing expenses	(45,663)	(175,134)
Rental expenses	4 (9,025)	(99,515)
Finance costs	(23,109)	(6,352)
Share based payments	7 (114,030)	(60,727)
Write-off of assets	5 (821,039)	-
Foreign exchange losses	(39,309)	-
Other expenses	(253,992)	(551,034)
<b>Loss before income tax</b>	<b>(1,920,569)</b>	<b>(2,509,692)</b>
Income tax expense	-	-
<b>Total loss for the period</b>	<b>(1,920,569)</b>	<b>(2,509,692)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to operating results</i>		
Exchange differences on translating foreign controlled entities	(3,622)	10,050
Other comprehensive income for the period	<b>(3,622)</b>	<b>10,050</b>
<b>Total comprehensive loss for the period</b>	<b>(1,924,191)</b>	<b>(2,499,642)</b>
<b>Loss per share</b>		
Basic and diluted loss (cents per share)	(0.12)	(0.36)

The accompanying notes form part of this financial report.



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Notes	Consolidated June 2020 \$	December 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,042,524	2,744,414
Other assets		142,403	421,380
Trade and other receivables		783,291	852,508
Financial asset		-	77,965
Inventory		1,798,953	161,259
Total current assets		4,767,171	4,257,526
<b>Non-current assets</b>			
Plant and equipment		27,652	33,805
Right-of-use assets		252,498	341,124
Intangible assets	5	194,620	1,385,489
Total non-current assets		474,770	1,760,418
<b>Total assets</b>		5,241,941	6,017,944
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,786,656	1,426,512
Contract liabilities		554,620	270,491
Lease liabilities		186,073	155,152
Borrowings		-	514,056
Provisions		24,204	1,085
Total current liabilities		2,551,553	2,367,296
<b>Non-current liabilities</b>			
Lease liabilities		67,354	180,623
Total non-current liabilities		67,354	180,623
<b>Total liabilities</b>		2,618,907	2,547,919
<b>Net assets</b>		2,623,034	3,470,025
<b>EQUITY</b>			
Issued capital	6	12,864,083	11,917,250
Reserves	7	1,056,855	930,110
Accumulated losses		(11,297,904)	(9,377,335)
<b>Total equity</b>		2,623,034	3,470,025

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
<b>Balance at 1 January 2019</b>	8,295,993	(4,964,831)	741	849,519	4,181,422
Loss for the period	-	(2,509,692)	-	-	(2,509,692)
Other comprehensive income	-	-	10,050	-	10,050
<b>Total comprehensive (loss)/income for the period</b>	-	(2,509,692)	10,050	-	(2,499,642)
<b>Transactions with owners, directly in equity</b>					
Share-based payments	-	-	-	60,727	60,727
<b>Balance at 30 June 2019</b>	8,295,993	(7,474,523)	10,791	910,246	1,742,507
<b>Balance at 1 January 2020</b>	11,917,250	(9,377,335)	20,023	910,087	3,470,025
Loss for the period	-	(1,920,569)	-	-	(1,920,569)
Other comprehensive income	-	-	(3,622)	-	(3,622)
<b>Total comprehensive loss for the period</b>	-	(1,920,569)	(3,622)	-	(1,924,191)
<b>Transactions with owners, directly in equity</b>					
Options and performance rights issued	-	-	-	146,867	146,867
Issue of share capital	997,500	-	-	(16,500)	981,000
Capital raising costs	(50,667)	-	-	-	(50,667)
<b>Balance at 30 June 2020</b>	12,864,083	(11,297,904)	16,401	1,040,454	2,623,034

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

	<b>Consolidated</b>	
	<b>June 2020</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	1,932,507	56,456
Interest received	2,694	9,142
R&D tax incentive receipts	-	122,150
Payments to suppliers and employees	(2,559,084)	(2,018,215)
Interest paid	(29,787)	(6,352)
<b>Net cash used in operating activities</b>	<b>(653,670)</b>	<b>(1,836,819)</b>
<b>Cash flows from investing activities</b>		
Payments for platform development expenditure	-	(628,276)
Purchase of plant and equipment	-	(39,149)
Proceeds from sale of plant and equipment	-	1,335
Proceeds from disposal of financial assets	77,965	-
<b>Net cash provided by/(used in) investing activities</b>	<b>77,965</b>	<b>(666,090)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of performance rights	5,600	-
Transaction costs relating to issue of shares	(50,667)	-
Repayment of lease liabilities	(81,118)	-
<b>Net cash used in financing activities</b>	<b>(126,185)</b>	<b>-</b>
<b>Net decrease in cash held</b>	<b>(701,890)</b>	<b>(2,502,909)</b>
Cash at the beginning of the financial period	2,744,414	3,430,126
<b>Cash at the end of the financial period</b>	<b>2,042,524</b>	<b>927,217</b>

The accompanying notes form part of this financial report.

## **1. Summary of significant accounting policies**

### **Statement of Compliance**

The consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

The consolidated half-year financial report does not include all of the notes and information normally included in an annual financial report. Accordingly this report should be read in conjunction with the consolidated annual financial report for the year ended 31 December 2019.

### **Basis of Preparation**

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are in Australian dollars unless otherwise stated.

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Annual Financial Report for the financial year ended 31 December 2019, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### **Going Concern**

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$1,920,569 and had net cash outflows from operating activities of \$653,670 for the half-year ended 30 June 2020.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern after consideration of the following factors:

1. The consolidated entity had cash of \$2,042,524 as at 30 June 2020 and has prepared a cash flow forecast to manage cash in line with available funds;
2. Trade and other payables of \$1,786,656 as at 30 June 2020, includes an amount of \$763,779 payable to the related party Automation Australia Pty Ltd, a company of which Graham Russell is also a Director. Therefore settlement of this liability is expected to be deferred if required;
3. The consolidated entity has the ability to curtail its activities in order to conserve cash; and
4. The Company has the ability to raise additional capital, as and when required, which it has been able to successfully do in prior financial periods.

### **New accounting standards and interpretations**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The Group has chosen not to early adopt any accounting standards that have been issued, but are not yet effective. The impact of accounting standards that have been issued, but are not yet effective, is not material to these financial statements.

**2. Segment Information**

The Directors have considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments. All revenues and costs are handled centrally and management reviews financial information on a consolidated basis. On this basis it is considered that there is only one operating segment, the details of which are disclosed within this financial report.

	Consolidated	
	June 2020 \$	June 2019 \$
<b>3. Other income</b>		
Research & Development grant income	-	122,150
Foreign exchange (losses)/gains	-	(5,020)
Total	-	117,130

**4. Rental expenses**

June 2019:

The Group has adopted AASB *Leases 16* from 1 January 2019. The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred. Due to all lease arrangements for the half-year ended 30 June 2019 being for periods of less than 12 months, no right-of-use assets or lease liabilities have been recognised.

June 2020:

The Group has adopted AASB *Leases 16* from 1 January 2019. The Group has recognised a right-of-use asset and corresponding lease liability for leases at New South Wales and Queensland.

	Consolidated	
	June 2020 \$	December 2019 \$
<b>5. Intangible assets</b>		
Platform development expenditure – at cost	-	1,936,309
Less: Accumulated amortisation	-	(793,436)
	-	1,142,873
Customer list – at cost	45,000	45,000
Less: Accumulated amortisation	(45,000)	(45,000)
	-	-
Licences – at cost	250,000	250,000
Less: Accumulated amortisation	(55,380)	(7,384)
	194,620	242,616
	194,620	1,385,489

HSC has fully written down the Platform Development expenditure, as the software is no longer part of the new management's strategy or focus. This resulted in an impairment expense of \$821,039 being incurred in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2020.

Reconciliations of the carrying amounts of each class of intangible asset at the beginning and end of the current financial period are set out below.

**5. Intangible assets (continued)**

	Platform development expenditure	Customer list	Licences	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
Carrying amount at 1 January 2020	1,142,873	-	242,616	1,385,489
Additions	-	-	-	-
Amortisation expense	(320,311)	-	(47,996)	(368,307)
Write off/impairment of asset	(821,039)	-	-	(821,039)
Foreign exchange movement	(1,523)	-	-	(1,523)
Carrying amount at 30 June 2020	-	-	194,620	194,620

**6. Issued Capital**

Ordinary shares – Fully paid ('FPO')  
 Capital raising costs

	Consolidated June 2020	December 2019
	\$	\$
Ordinary shares – Fully paid ('FPO')	14,233,436	13,235,936
Capital raising costs	(1,369,353)	(1,318,686)
	12,864,083	11,917,250

**a) Movements in ordinary shares on issue**

There was no movement in the issued capital of the company in the previous half-year. Movements for the current half-year are as follows:

	Number	\$
At 1 January 2020	1,478,686,397	11,917,250
Shares issued during the period		
– 28 January 2020 – FPO shares <sup>(1)</sup>	176,700,000	897,500
– 29 January 2020 – FPO shares <sup>(2)</sup>	20,000,000	100,000
Less capital raising costs	-	(50,667)
At 30 June 2020	1,675,386,397	12,864,083

<sup>(1)</sup> Included 500,000 shares issued on conversion of performance rights, 100,000,000 shares issued on conversion of convertible notes and 76,200,000 shares issued to various suppliers in lieu of cash payment for services received.

<sup>(2)</sup> Shares issued to an employee pursuant to employment agreement.

**b) Options**

For details of options issued, exercised and lapsed during the financial period and the options outstanding at period-end, refer to Note 7(a) Share-based payments.

**7. Reserves**

	<b>Consolidated</b>	
	<b>June 2020</b>	<b>December 2019</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation	16,401	20,023
Share based payments	1,040,454	910,087
	<b>1,056,855</b>	<b>930,110</b>

**Movements in reserves**

**Share based payments**

Balance at the beginning of the reporting period	910,087	849,519
Options issued during the period	27,237	60,568
Options vested during the period	2,500	-
Options lapsed during the period	(7,205)	-
Performance rights issued during the period	124,335	-
Performance rights converted to shares during the period	(16,500)	-
Balance at the end of the period	<b>1,040,454</b>	<b>910,087</b>

**Foreign currency translation**

Balance at the beginning of the reporting period	20,023	741
Exchange differences on translating foreign controlled entities	(3,622)	19,282
Balance at the end of the period	<b>16,401</b>	<b>20,023</b>

**(a) Share-based payments - options**

A summary of the movements of all options issues is as follows:

	<b>Number</b>
<b>Options outstanding as at 1 January 2020</b>	94,486,188
Options issued 3 February 2020*	12,000,000
Options lapsed 16 June 2020**	(4,000,000)
Options expired 23 June 2020	(2,486,188)
<b>Options outstanding as at 30 June 2020</b>	<b>100,000,000</b>

\* On 14 January 2020, the Company granted 12,000,000 options to various consultants, for nil cash consideration per their engagement agreements. The options were issued on 3 February 2020. Fair value of \$2,787 was recognised as marketing expenses in the profit or loss and \$24,450 was recognised as capital raising expenses in the statement of financial position at 31 December 2019. Total fair value of \$27,237 is recognised in the share-based payments reserve for the half-year ended 30 June 2020.

\*\* 4,000,000 options lapsed due to vesting conditions not being met (employment ceased before 1 February 2021). This resulted in a reversal of \$7,205 recognised against the share-based payments expense in the profit or loss for the half-year ended 30 June 2020.

Under AASB 2 *Share-based Payment*, the expense is recognised over the vesting period. The fair value inputs included in the option valuations using a Black Scholes model were as follows:



7. Reserves (continued)

Exercise price	No. of options	Grant date	Vesting date	Expiry date	Fair value at grant date	Share price	Risk-free rate	Volatility rate
\$0.015	10,000,000	14 Jan 2020	3 Feb 2020	3 Feb 2023	\$24,450	\$0.005	0.82%	137%
\$0.05	2,000,000	14 Jan 2020	3 Feb 2020	3 Feb 2022	\$2,787	\$0.005	0.82%	137%

(b) Share-based payments – performance rights “PRs”

A summary of the movements of all performance rights issues is as follows:

	Number
Performance rights outstanding as at 1 January 2020	500,000
Converted to shares on 28 January 2020	(500,000)
Granted on 14 January 2020*	50,000,000
Granted on 8 June 2020 **	10,000,000
Granted on 15 June 2020 ***	46,000,000
Performance rights outstanding as at 30 June 2020	106,000,000

\*On 14 January 2020, the Company granted 50,000,000 performance rights to a Director, for nil cash consideration. Performance rights will vest subject to attainment of certain revenue values, together with employment continuity. Total fair value of \$112,753 is recognised as share-based payments expense in the profit or loss for the half-year ended 30 June 2020.

\*\* On 8 June 2020, the Company granted 10,000,000 performance rights to a Director, for cash consideration of \$1,000. Performance rights will vest subject to the attainment of certain share price values, together with employment continuity. Total fair value of \$3,327 is recognised as share-based payments expense in the profit or loss for the half-year ended 30 June 2020.

\*\*\* On 15 June 2020, the Company granted 46,000,000 performance rights to a number of Directors, for cash consideration of \$4,600. Performance rights will vest subject to the attainment of certain share price values, together with employment continuity. Total fair value of \$2,655 is recognised as share-based payments expense in the profit or loss for the half-year ended 30 June 2020.

The total amount recognised in the share based payments reserve in relation to the issue of performance rights during the period is \$124,335, being share based payment expense of \$118,735, and cash consideration of \$5,600.

Under AASB 2 *Share-based Payment*, the expense is recognised over the vesting period. The performance rights have been valued at the share price of the Company on grant date. The fair value inputs included in the performance right valuations were as follows:

No. of PRs	Grant date	Vesting date	Expiry date	Fair value at grant date	Share price	Probability
50,000,000	14 Jan 2020	31 Dec 2020	14 Jan 2025	\$0.005	\$0.005	100%
10,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	\$0.0041	\$0.005	100%
15,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	\$0.0029	\$0.005	100%
15,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	\$0.0022	\$0.005	100%
3,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	\$0.0022	\$0.005	100%
3,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	\$0.0017	\$0.005	100%
2,000,000	8 Jun 2020	16 Oct 2020	15 Dec 2021	\$0.005	\$0.005	100%
2,000,000	8 Jun 2020	16 Feb 2021	15 Dec 2021	\$0.005	\$0.005	100%
2,000,000	8 Jun 2020	16 Jun 2021	15 Dec 2021	\$0.005	\$0.005	100%
2,000,000	8 Jun 2020	15 Jul 2021	15 Dec 2021	\$0.001	\$0.005	100%
2,000,000	8 Jun 2020	15 Jul 2021	15 Dec 2021	\$0.0006	\$0.005	100%

## 7. Reserves (continued)

Total share based payments recognised in the statement of profit or loss and other comprehensive income during the half-year ended 30 June 2020:

	\$
Options vested during the period	2,500
Options lapsed during the period	(7,205)
50,000,000 performance rights granted to a Director on 14 January 2020	112,753
10,000,000 performance rights granted to a Director on 8 June 2020	3,327
46,000,000 performance rights granted to Directors on 15 June 2020	2,655
	<u>114,030</u>

## 8. Events after the Reporting Period

On 26 August 2020, the Company announced that it has appointed a new non-executive director and Chairman, Mr Leylan Neep, who will be joining the Board of Directors with effect from 1 September 2020. Ms Shannon Robinson will resign as a director and chair of the Company with effect from 1 September 2020.

The directors are not aware of any other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## 9. Contingent liabilities

There have been no material changes to the consolidated entity's contingent liabilities since 31 December 2019.

## 10. Commitments

There have been no material changes to the consolidated entity's capital or other expenditure commitments since 31 December 2019.

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out in the financial report:
  - a) comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the half-year ended on that date of the consolidated entity;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of the directors made pursuant to s.303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Graham Russell  
Managing Director

Dated this 28th day of August 2020

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
HSC TECHNOLOGY GROUP LTD**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of HSC Technology Group Ltd which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HSC Technology Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HSC Technology Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

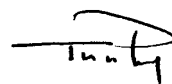
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HSC Technology Group Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A stylized, handwritten-style signature of the letters 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Tutu'.

TUTU PHONG  
Partner

Perth, WA  
Dated: 28 August 2020