

HSC Technology Group September 2020 Quarterly Report

30 October 2020

- **Cash receipts of \$756,000 for the Quarter**
- **The Company now has more than 4,500 active commercial subscriptions in Australia and New Zealand, an increase from the 2,700 reported in Q2**
- **Cash and cash equivalents at the end of the Quarter was \$1.482 million**
- **Major contract win at St John's Home for the Elderly in Singapore validates expansion strategy**

HSC Technology Group Ltd (ASX:HSC) ("HSC" or "Company") is pleased to provide the following business update alongside its Appendix 4C Quarterly cashflow report for the quarter ended 30 September 2020 (the "Quarter").

HSC is extremely focused on execution of its growth strategy, with two new business development managers added in the Quarter. The Company also remains committed to delivery of its customer projects, with a number of enterprise customer projects underway delivering bespoke assistive technology. The Company has more than 4,500 active commercial subscribers in Australia and New Zealand, with further subscriptions to be added pursuant to committed contracts and projects.

The Board is closely monitoring the Company's cash burn rate, which has increased this Quarter due to a temporary delay in invoicing for key project implementations, and further investment in stock to support the contracted sales orders, and an increase in payments to suppliers.

Sales

The Company was successful in securing a number of key sales for the Quarter, including the following strategic wins:

- St John's Home for Elderly Persons in Singapore, as announced in September 2020.
- First purchase order received from Harvey Norman Commercial Division.
- Bolton Clarke has ordered additional 320 Assistive Technology solutions under their master contract.

Operations

- **ACH contract:** As previously communicated, HSC was awarded a tender to provide Nurse Call Systems in South Australia for Aged Care & Housing Group Inc (**ACH Group**). The project is for the delivery of assistive technology at nine residential aged care sites. The first site (Kapara) has been completed and is currently being handed over to ACH.
- **Odyssey:** In Q1 2020, the Company was awarded a contract for the delivery of assistive technology to a development by Odyssey Private Aged. The project successfully went live in July 2020.
- **Enliven:** Enliven Housing is delivering assistive technology to the disability sector, and HSC has completed the San Souci Project.

Financial Position

The Company had a strong September Quarter with \$697,000 cash received from sales of assistive technology to enterprise customers despite the challenges of COVID-19 restricted access to many aged care facilities, and \$59,000 in cash receipts from government grants.

The Company closed the Quarter with total cash of \$1,482,000. The related party payments of \$162,000 noted in Section 6 of the accompanying Appendix 4C during in the Quarter relate to payments for inventory, director fees, salary and superannuation. Please refer to the Company's Appendix 4C for further details.

Corporate

The Royal Commission into Aged Care, together with the impacts of Covid-19, has confirmed the need for innovative models of care. HSC notes that the final submission of Counsel Assisting the Royal Commission made a number of recommendations relating to the use of technology to support aged care, in particular the use of assistive and supportive technology. This confirms the opportunity for HSC and its data-driven platform that can aggregate insights from thousands of data points for improved care, lower operating costs and low-cost deployments of assistive technology to deliver real and tangible benefits for care to vulnerable people.

Commenting on the Quarter, Mr Graham Russell, Managing Director said: "Overall, I am happy with the Quarter, considering the adverse conditions all businesses are facing at the moment. The team has continued to focus on the delivery of projects, even with the challenging environment of limited travel, lockdown and restricted access to aged care sites. As each system is installed and each project is delivered, we are glad to see the subscription base grow and improve our annualised recurring revenue numbers.

"We are all excited with our recent win at St Johns Home for the Elderly in Singapore. This was a very competitive bid process with solutions offered by numerous global organisations to win the project. It is a very innovative scope as we are using next generation Real Time Location Systems (RTLS) to deliver data to the HSC TALIOUS Platform and deliver proactive insights to the care and management teams, which will be revolutionary as the current solutions are all reactive. The project is sponsored by the Singapore Government's National Council of Social Service, and they can see how our technology could be used across other sectors of the Singapore health system. It will definitely be a flagship development when completed next year.

"HSC have also implemented the next stage of our growth plan with the engagement of a business development team to continue and expand our partner program and develop the sector relating to the benefits of HSC Assistive technology suite. We welcome Gus Taddeo in Queensland and Andrew Kelly for NSW, who have significant experience in the sector. They will assist greatly to support and expand our IoT partner network plus identify new opportunities for the TALIOUS platform. This has also coincided well with the continued lockdowns due to COVID which allows us to deliver sales and support where required.

"Finally, we have been very happy with the market support as investors now have a better understanding of what we do and how we are doing it, resulting in good volume and growth for our shareholders."

This announcement has been authorised by the Board of Directors of HSC Technology Group Ltd.

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About HSC Technology Group

HSC provides a range of Connected Health and Smart Home solutions.

The HSC assistive technology platform allows seniors and people with disabilities to live independently via "Aging in Place" solutions, through the use of data analysis, as well as human monitoring, to determine residents' routines and detect anomalies. These early insights allow for better decision-making by care providers and families, allowing more focused service, minimising unnecessary care and facilitating welfare checks in a more responsive manner.

HSC helps protect and connect our elderly and people with disabilities with a scalable healthcare technology platform integrated with leading third party providers to ensure end-to-end solutions for Connected Health.

HSC Technology Group's Software as a Service (SaaS) data analytics platform TALIOUS uses next generation Machine Learning and Artificial Intelligence to deliver decision-making insights that improves people's safety, independence, autonomy and most importantly improves their lives.

- ❖ HSC Care
- ❖ HSC Home
- ❖ TALIOUS

FORWARD LOOKING STATEMENTS

Certain statements contained in this ASX release, including information as to the future financial or operating performance of the Company and its projects, are forward looking statements. Such forward looking statements:

- (a) are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;*
- (b) involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements; and*
- (c) may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. The Company disclaims any intent or obligation to publicly update any forward-looking statements, whether as a result of new information, future events or results or otherwise.*

The words "believe", "expect", "contracted", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "planned" and similar expressions identify forward looking statements. All forward looking statements contained in this ASX release are qualified by the foregoing cautionary statements. Recipients are cautioned that forward looking statements are not guarantees of future performance and accordingly recipients are cautioned not to put undue reliance on forward looking statements due to the inherent uncertainty therein.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity		
HSC TECHNOLOGY GROUP LTD		
ABN	Quarter ended ("current quarter")	
62 111 823 762	30 September 2020	

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	697	2,641
1.2 Payments for		
(a) research and development	(36)	(76)
(b) product manufacturing and operating costs	(980)	(2,786)
(c) advertising and marketing	(23)	(62)
(d) leased assets	(17)	(39)
(e) staff costs	(203)	(671)
(f) administration and corporate costs	(57)	(368)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	59	157
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(560)	(1,222)

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2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(40)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	6
3.10	Net cash from / (used in) financing activities	-	(34)

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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,042	2,744
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(560)	(1,222)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(34)
4.5	Effect of movement in exchange rates on cash held	-	(6)
4.6	Cash and cash equivalents at end of period	1,482	1,482

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,456	2,016
5.2	Call deposits	26	26
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,482	2,042

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	162
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Appendix 4C

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total financing facilities

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	560
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,482
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,482
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

September 2020 Quarterly Report Disclosure

HSC provides the following disclosures required by ASX Listing Rule 4.7C.2 regarding a comparison of its actual expenditure to 30 September 2020 since listing on 19 November 2018 against the “use of funds” statement in its supplementary prospectus dated 5 September 2018.

The Company’s total use of funds from November 2018 to the quarter ending 30 September 2020 was \$10.36 million. This was made up of \$6 million (being funds raised at IPO and existing cash), an additional \$3.56 million of cash receipts from sales and government grants, and further net funds received from capital raising of \$3.75 million over the same period.

Comparison table of actual expenditure compared to the use of funds

Use of Funds	Estimate	Actual
Enhancement of platform, including security updates and IoT devices integration	\$800,000	\$1,133,000
Business development	\$370,000	\$89,000
Sales and marketing	\$370,000	\$492,000
Intelligent Home installation, hardware, on-going monitoring services, data management and analytics	\$1,700,000	\$4,248,000
Operations	\$300,000	\$525,000
Identification of new opportunities and market	\$100,000	\$26,000
Working capital	\$1,860,000	\$3,321,000
Expenses associated with the Public Offer	\$500,000	\$532,000
TOTAL	\$6,000,000	\$10,365,000

**The use of funds is allocated on a budgeted basis to which expenditure incurred will be dependent on timing factors, resourcing, sequence & priority of work programs and impact of external economic & operational factors.*

Of the \$6 million (being funds raised at IPO and existing cash), the Company spent less than estimated on “Business development” and spent more than estimated on “Intelligent Home installation, hardware, on-going monitoring services, data management and analytics” and “Working capital”. This increased spend was due to increased demand for products and solutions from current and prospective customers, as well increased corporate and administrative costs over the period.

This announcement has been authorised by the Board of Directors of HSC Technology Group Ltd.