

HSC Technology Group June 2021 Quarterly Report

22 July 2021

- **Cash receipts from customers of \$1.1 million for the quarter**
- **Cash and cash equivalents at the end of the quarter was \$3.267 million**
- **HSC subscriptions increased 18% in the quarter with over 7,400 active subscribers**

HSC Technology Group Ltd (ASX:HSC) ("HSC" or "Company") is pleased to provide the following activities and business update alongside its Appendix 4C - Quarterly Cashflow Report for the quarter ended 30 June 2021 (the "quarter").

HSC's growth continued this quarter with sales across several aged care markets.

We received orders from existing reselling partners ADT, Bolton Clarke, IRT and Feros Care servicing the in-home care market.

In retirement villages we continued to support our Telstra / Sapio partnership with the ongoing upgrade of the Anglicare Retirement Villages in NSW.

The Projects division remained focussed on the delivery of the ACH Group sites in South Australia and St John's Home for the Elderly Persons, Singapore (St John's) as well as having secured and awarded several projects over the coming months, including:

- The Healy Retirement Village – Moorabbin Victoria
- Finley Regional Care - Residential Aged Care – Finley Victoria (with our HSC partner -eHomecare)
- Odyssey Private Aged care - Tower 3– Robina QLD

Sales

Sales revenue recognised in the June quarter exceeded more than \$975,000, representing a 35% year on year increase. Year to date revenue has grown 8.4% for the same time last year, achieved largely through our continuing partnerships with Bolton Clarke, the ACH Group, ADT, St John's Singapore and Sapio.

We are at final completion with several sites in the ACH Group in South Australia and are about to commence work on a further two residential living sites that we were awarded in March this year.

Our strategic partnership with Sapio is continuing with the rollout to replace the personal alarm systems for Anglicare's Retirement Living division in NSW. When complete, approximately 2,300 units will have been replaced.

HSC also received during the quarter orders for a further 3,350 units from Johnson Controls' ADT Security Pacific (ADT). This will see ADT proactively replacing their existing 3G Personal Emergency Response System (PERS) platform in readiness of the planned shutdown of the 3G network. This order represents revenue of approximately \$1.1 million to be delivered over the coming 12 months.

Operations

HSC finalised several projects last quarter including sites with the ACH Group and it is expected we will complete the project at St John's Home for Elderly Persons in Singapore this quarter. All our projects generate hardware sales and incremental subscribers to our Talius Smart Care platform:

- ACH: project delivery has reached final completion with several ACH sites. The project includes the delivery of voice activated nurse stations, along with a range of activity sensors that proactively capture data for the Talius Smart Care platform. HSC will commence work on a further two sites shortly.
- The innovative project with St John's Home is nearing completion. This project using technology will deliver insight on each resident by creating a profile of daily living activities using the patented CSIRO algorithm and HSC's Talius Smart Care platform. We will provide the care teams with a first to market proactive care platform. The National Council of Social Services of Singapore, a division of the Singapore government is a financial sponsor and has taken a keen interest in the delivery of this innovative solution in aged care.

For this project, Talius captures data through a bespoke wristband pendant that incorporates advanced accelerometer and Bluetooth location technology. This wristband provides Talius with crucial data on daily living activities including step count, location, the absence of attending the dining room or changes in hygiene patterns. The pendant also acts as a mobile emergency button to allow residents to call for help anywhere in the facility.

HSC's Talius Smart Care Platform is able to assist the aged care sector to face the challenges in the industry. As was recently highlighted in the findings of the Royal Commission into Aged Care the immense skill shortages, financial viability challenges, and increased compliance cannot be underestimated. Our technology platform allows Aged Care Leaders to protect their clients and care teams while providing regulators and families peace of mind that the client's basic needs and aged care provider's duty of care are met.

Research and Development

The HSC R&D team have been finalising the development of the software for integration for the St John's project. These developments and improvements are being shared with other existing sales pipeline and market feedback has been extremely positive.

HSC is conducting numerous trials and pilots with other aged care providers. Some of these trials include the testing of the sensor datasets and the operational efficiency benefits that Talius is providing. We look forward to sharing the results of these trials on completion in coming quarters.

Financial Position

The Company closed the quarter with total cash of \$3.267 million.

The Company had a strong June quarter with \$1.1 million cash received from sales of assistive technology to enterprise customers. We have also continued our strategy of replenishing inventory base levels to minimise lead time for our customers and resellers.

Total active subscriptions increased to more than 7,400 by June which is an 18% increase from March 2021 and a 58% increase this year to date. As projects finalise over the coming months these numbers will continue to increase.

The related party payments of \$58,000 during the quarter noted in Section 6 of the accompanying Appendix 4C relate to payments for director fees, salary, and superannuation. Please refer to the Company's Appendix 4C for further details.

Corporate

During the quarter, the vesting criteria of 25 million Performance Rights held by the Managing Director, Graham Russell was satisfied. These Performance Rights were linked to a vesting hurdle of \$3,000,000 of revenue being received by the Company during the period from the issue date and 31st December 2020. The grant of these were approved by Shareholders at the Company's General Meeting held on 14 January 2020.

Commenting on the quarter, Mr Graham Russell, Managing Director said:

The second quarter for HSC has been incredibly busy and the team has accomplished a lot over the term. We continue to implement improvements to the organisation as we continue to grow and prepare to scale.

We have relocated finance, logistics, technical support and research and development to our new location in Southern Brisbane. This central office brings our teams together to improve collaboration, streamline customer service and provide a warehouse hub that is more efficient for the importation of product and dispatch to our clients.

We have also upgraded to a full ERP platform which will provide operational efficiencies across the divisions of the business and has provided better transparency for the executive teams to manage and coordinate the teams more effectively.

The business development team is starting to see the rewards of the sales pipeline and our new direct to market strategy. We have seen a significant increase in enquiry and proposals which is providing more consistent sales for the business. We have invested in developing more sales and marketing collateral in the way of videos and case studies to improve market awareness, brand recognition and thought leadership plus helps with the consistent Covid lockdowns.

We have been buoyed by the recent sales with the awarding of new and extra purchase orders from our existing clients - Tower 3 of Odyssey Private Aged Care, Bolton Clarke (RSL Care & RDNS), IRT, Feros etc. but also the new clients with Telstra / Sapio rollout to Anglicare NSW, The Healey Retirement Village in Moorabbin and Finley Regional Care in Finley with our reselling partner eHomecare.

These installations and extra sensor services continue to execute the HSC strategy of our SaaS model with the Talus Smart Care platform and great to see the % increase of sensor subscribers to the platform.

During the quarter HSC was featured in a number of third-party articles and reports and I was invited to present at several investor briefings including my speaking at the U3A investors club to present an overview of HSC Technology Group and the strategy that is being executed. Pleasingly our purpose and strategy continue to be well received.

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 TALIUS Smart Care 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
- ❖ TALIUS

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

| | | |
|--------------------------|--|--|
| Name of entity | | |
| HSC TECHNOLOGY GROUP LTD | | |
| ABN | Quarter ended ("current quarter") | |
| 62 111 823 762 | 30 JUNE 2021 | |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 1,099 | 1,620 |
| 1.2 Payments for | | |
| (a) research and development | (38) | (74) |
| (b) product manufacturing and operating costs | (770) | (1,605) |
| (c) advertising and marketing | (37) | (108) |
| (d) leased assets | (17) | (67) |
| (e) staff costs | (411) | (796) |
| (f) administration and corporate costs | (72) | (199) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | | |
| 1.5 Interest and other costs of finance paid | (9) | (10) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | 48 |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (255) | (1,191) |
| 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 | - | - |
| 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) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|-----------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,522 | 4,457 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (255) | (1,191) |
| 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) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 3,267 | 3,267 |

| 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 | 3,241 | 3,496 |
| 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) | 3,267 | 3,522 |

| 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 | 58 |
| 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

| 7. | Financing facilities <i>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.</i> | 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) | (255) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 3,267 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 3,267 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 12.79 |

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

1. 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

2. 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

3. 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

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: 22 July 2021

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.