

HSC Technology Group December 2022 Quarterly Report

31 January 2023

- **Cash receipts from customers of \$3.2 million for the quarter**
- **Cash and cash equivalents at the end of the quarter was \$0.8 million**
- **Cashflow positive quarter with subscriptions now over 15,000**
- **Sales growth of 93% year on year**
- **Commencement of sales receipts from major contracts**

HSC Technology Group Ltd (HSC or the Company) (ASX:HSC) is pleased to provide the following activities and business updates alongside its Appendix 4C - Quarterly Cashflow Report for the quarter ended 31 December 2022 (the **quarter**).

HSC ended 2022 with its strongest quarter for the year. Operationally, it was a cash flow positive quarter as the Company received over \$3.2 million from customers, which included receipts from some of the material customer contracts previously announced.

During the quarter, HSC secured a \$2.3 million contract with Lendlease's Retirement Living business, was awarded an additional site with existing customer ACH Group, had the Company's technology feature in a new CSIRO report following a successful trial of Smarter Safer Homes, completed its first Australian Unity site, and entered new partnership agreements. Further, the continual investment in the Talius Smart Care Platform has now positioned HSC for the potential licensing of that platform to other parties, creating a Platform as a Service (PaaS) revenue stream to complement the current revenue mix of Software as a Service (SaaS) and margin received from our best of breed hardware sales.

Sales

The Company received cash payments during the quarter of \$3.2 million from sales of assistive technology to enterprise customers.

HSC commenced the quarter with the announcement (6 October 2022) of being awarded the contract to supply next generation assistive technology solutions to Lendlease's Retirement Living business. During the period, HSC commenced the roll out of its software solution providing HSC's Care@home to the first 4 Lendlease sites, part of the initial order of 5,000 units.

HSC received the first payments under the above Lendlease contract as well as other material contracts including from Chubb / VitalCall. As customers from these major contracts are onboarded, HSC will also benefit from the recurring revenue as subscribers are added to HSC's Talius Smart Care Platform as a subscription service.

Projects

The Company continued to work diligently on project and product delivery.

During the quarter, HSC extended its relationship with **ACH Group**. On 8 November 2022, the Company announced it had been appointed by the builder Sarah Constructions to deliver assistive technology solutions for ACH Group's new 'Healthia' site, a state-of-the-art residential care home in Elizabeth South, South Australia.

Also, during the quarter, the Company reached the milestone of project completion for its first **Australia Unity** site. HSC completed the contract to supply next generation assistive technology solutions to Australian Unity for its Walmsley aged care facility located in Kilsyth, Victoria (see ASX announcement 28 October 2021).

One of HSC's clients, **St John's Home for Elderly Persons (SJH)**, welcomed the Singapore President Halimah Jacob as the guest of honour for the opening of their new site in Singapore during the quarter. As already announced, SJH is the first to deploy the commercial application of CSIRO-researched Smarter Safer Homes (SSH) technology for their aged care facility in Singapore. HSC's Talius Smart Care Platform was on show during the opening, as SJH uses a range of HSC's technology suite.

CSIRO releases DACS trial report

As previously reported, HSC has exclusive licence over CSIRO's Smarter Safer Homes (SSH) technology, which was developed by CSIRO's eHealth Research Centre. During the quarter, a report was published by CSIRO which detailed the successful trial of a new sensor-based platform with the potential to better support older Australians to live in their own home longer.

The SSH algorithm has been exclusively licensed and commercialised by HSC. CSIRO's SSH has been embedded into HSC's Talius Platform. It assists Talius to provide evidenced-based information which allows clients to be remotely monitored and provide proactive alerts to carers. HSC regards the CSIRO SSH algorithm as a key differentiator in its offering and an independent source of credibility in its algorithm suite.

Subscriptions

Subscriptions for the quarter continued to increase and now total over approximately 15,000 as new customers have been onboarded from completed projects and recent sales successes.

The Company expects subscriptions to continue to increase as our remaining project sites go live, in addition to the substantial number of new customers from the Chubb / VitalCall and Lendlease contracts currently being onboarded to our Talius Smart Care Platform.

New Partner Agreement - FallCall

HSC entered into a new international partnership during the quarter with FallCall Solutions LLC., a Connecticut US based medical technology company. With this partnership, next-generation Bluetooth® medical alert devices and the HSC Talius Smart Care System will be integrated with the FallCall application on a user's Apple Watch or iPhone and Android Watch or phone device. If a fall is detected a help call is activated as a medical alert, and HSC can connect dozens of 24-hour response partners throughout Australia to the user on their mobile phone, assess the situation and send help if needed.

This new connectivity will allow those aging in place to connect their existing personal emergency response devices directly to their iPhone or Android device to maintain peace of mind while living an active lifestyle. The FallCall Application lends itself to a wider demographic with younger people and lone or remote workers. With no requirement for extra hardware the simple end to end application will enable increased care and safety.

FallCall's breakthrough technology launched in 2018 and was the first to bring a complete, app-based 24/7 emergency monitoring system to Apple Watch, iPhone and Android devices in the United States. Since its release, FallCall is currently being used by thousands of older adults and their caregivers. HSC is excited to be the exclusive distributor for FallCall in the APAC region and will continue to increase subscriptions through the Talius Platform.

Research and Development

During the quarter HSC continued development of its Talius Smart Care Platform, which included improvements and enhancements to our technology solutions including:

- maintenance dashboard
- RTLS mapping solution
- falls detection, and
- MPERS solution.

The development team continues to expand the inclusion of extra data sets and devices to the Talius Platform providing extended value in relation to the data of clients and patients. We have recently integrated Vital Signs from multiple devices like pulse, blood pressure, glucose, weight and blood oxygen saturation. This aggregated vital sign data alongside the existing Activities of Daily Living dashboards is providing invaluable information to users such as management, care teams and families to provide proactive care solutions. This development will position the Talius Platform to venture further into the health and remote patient monitoring vertical.

The FallCall Application has been developed and integrated into the Talius Platform to provide a complete online application onboarding process, with integration into Apple Pay allowing subscribers to be activated with no touch points. This will be offered as an OEM model to our existing reseller partners. HSC sees numerous opportunities for growth as there is no requirement for hardware or installations.

Platform as a Service

The continual development and investment into the Talius Smart Care Platform has been a strong differentiator for HSC and continues to be a focus. HSC has been approached regarding licensing opportunities abroad which it is now exploring. The Talius Platform's unique flexibility and ability to remain hardware agnostic also provides other sector capabilities, such as the Cardiacsense device which has been highlighted in previous announcements.

Financial Position

HSC recognised revenue of \$3.3 million¹ in the quarter, a significant increase of 218% on the previous period last year. Overall YTD we have seen a 93% year on year sales increase.

¹ Unaudited

The Company recorded a positive cash flow quarter and closed the quarter with total cash of \$0.83 million.

The Company received cash payments during the quarter of \$3.2 million from sales of assistive technology to enterprise customers.

Expenditure incurred throughout the quarter was \$3.05 million, with 73% (\$2.23 million) expended on inventory to accommodate the sales pipeline, 24% (\$0.73 million) on R&D and staff costs, with the remaining balance of 3% (\$0.09 million) going towards marketing, office rent and other general administration costs.

The related party payments of \$129,000 during the quarter detailed in Section 6 of the accompanying Appendix 4C relate to payments for director fees, the Managing Director's salary, and superannuation payments.

Management additions

During the quarter, HSC welcomed Sam Forbes, who has been appointed Chief Information Officer (CIO) for the Company. Mr Forbes is a senior ICT professional and business leader with over 20 years' experience in management and leadership roles, having worked at significant scale across government, enterprise and startups. As HSC's CIO, Mr Forbes will focus on initiatives to scale the business and in particular, the Company's SaaS and PaaS capabilities and infrastructure.

Corporate

During the period under review the following changes were recorded with respect to the issued securities of the Company.

- On 1 November 2022 the Company issued and sought the quotation of 5,900,000 Ordinary Shares upon the vesting of the same number of unlisted Performance Rights, 5,000,000 which had been issued to the members of the Company's Advisory Board in lieu of a monetary fee for their services along 900,000 issued to StepChange on account of the strategy and marketing services it provided.
- On 11 November 2022 the Company issued and sought the quotation of 50,000,000 Ordinary Shares representing the Third Tranche of the Milestone Shares which made up part of the Deferred Consideration payable to the Homestay Shareholders under the Acquisition announced 10 May 2018 which was triggered on cumulative revenue of \$9 million being achieved.

Outlook

HSC enters 2023 with a robust financial foundation, a very strong pipeline and is consequently excited for the year ahead. The Company will continue its goal of winning market share of the 4G PERs upgrade and increasing penetration of the residential aged care market.

Operationally, HSC will focus on project and product delivery for existing and new project clients, and our financial focus will be on prudent cashflow management while targeting positive earnings and profitability, as well as increasing recurring revenue and average margins.

The Company will also continue to invest in its Talius Platform and enhance its offering with new partners and products expected to be integrated into our solutions.

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

"We were incredibly pleased to end the year with our strongest quarter to date. It was a cash flow positive quarter, something which we were aiming for in Q1 2023, but were able to accelerate for this quarter. We remain focused on pipeline conversion and the path to profitability.

I'm very proud of the work the team has done operationally, which included the completion of the first of our projects with Australian Unity, and the commencement of product roll out to recently secured major clients which include Lendlease and Chubb / VitalCall.

The interest in our products and platform continues to grow with both potential customers and partners, and the team and I are confident on delivering further growth and increased shareholder value in 2023.

The sales pipeline for 2023 is very strong and the groundwork laid over the last few years with the increased credibility of national existing clients will continue to improve our conversion rate and trajectory of increased revenues. "

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

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About HSC Technology Group Ltd. (ASX: HSC)

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 to improve the quality of life, later in life.

HSC's Software as a Service (SaaS) data analytics platform Talius Smart Care combines smart sensors with AI machine learning (powered by CSIRO) that delivers automated actions. Talius links awareness, analysis, and action through one platform, allowing the care model to move from spot check care to sense-respond care. Nursing staff can switch their focus from data collection to building human connection. And, most importantly, residents benefit from a new era of autonomy and dignity.

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 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 several 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 because 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

62 111 823 762

Quarter ended ("current quarter")

31 DECEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,223	7,015
1.2 Payments for		
(a) research and development	(63)	(202)
(b) product manufacturing and operating costs	(2,231)	(6,078)
(c) advertising and marketing	(11)	(119)
(d) property expenses	(3)	(12)
(e) staff costs	(664)	(2,207)
(f) administration and corporate costs	(84)	(6)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(8)	(33)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	159	(2,281)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(36)
(d) investments	-	-
(e) intellectual property	(6)	(16)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(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	(6)	(52)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,500
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	-	(27)
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 Repayment of lease liabilities	(21)	(62)
3.10 Net cash from / (used in) financing activities	(21)	1,411

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	694	1,748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	159	(2,281)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(52)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(21)	1,411
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	826	826

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	826	694
5.2	Call deposits	-	-
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)	826	694

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	129
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	159
8.2 Cash and cash equivalents at quarter end (item 4.6)	826
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	826
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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:	
8.6.2 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:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 31 January 2023

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.