

HSC Technology Group March 2021 Quarterly Report

30 April 2021

- **Cash receipts of \$0.5 million for the Quarter from customers**
- **Cash and cash equivalents at the end of the Quarter was \$3.522 million**
- **HSC has more than 6,300 active commercial subscriptions in Australia and New Zealand, a 11% increase from the December 2020 quarter**
- **New partnerships signed with Telstra, Anglicare and ADT**

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 31 March 2020 (the "**Quarter**").

HSC continues to pursue its strategy for the growth of its sales and customer bases and during the Quarter announced the receipt of further purchase orders in excess of \$600,000 from the ACH Group for two of its new residential care facilities in South Australia.

As well as recording strong sales growth during the Quarter, HSC announced two separate strategic partnerships. The first of these with the multinational Johnson Control's ADT Security Pacific to replace its existing 3G Personal Emergency Response Systems (PERS) with HSC's own hardware and the TALIOUS IoT platform.

Separate to the ADT transaction, the Company announced at the end of the Quarter another strategic partnership this time with Anglicare's Retirement Living Division in NSW for the replacement of over 2,000 personal alarms systems. This arrangement also incorporates Telstra's end to end solution utilising HSC's own technology suite.

Sales

During the Quarter, HSC recognised sales revenue of in excess of \$850,000, which includes the continuing projects with Bolton Clarke, ACH, and St Johns Singapore. HSC achieved a 145% year on year increase in total billings for the March Quarter.

Sales growth continued during the Quarter with HSC being awarded in March, a further two residential living sites with the ACH Group located in South Australia resulting in the Company receiving purchase orders from ACH of approximately \$618,000. Pleasingly the solution being adopted in that instance looks to be directly aligned to some of the recommendations of the Final Report of the Royal Commission in Aged Care and its clear message to the industry for the adoption of assistive technology.

In addition to the ACH project, HSC also during the Quarter, successfully concluded the terms of a strategic partnership with Telstra and Sapio to replace the personal alarm systems for Anglicare's Retirement Living division in NSW. This partnership includes the supply, installation and ongoing monitoring for the replacement of the existing PERS which at the date of the announcement totalled approximately 2,300 units.

This IoT partnership is significant to HSC because it delivers two sales growth outcomes for HSC and the PERS marketplace in not only NSW but Australia wide. Firstly, it recognises that the current telecommunications technology being used across much of the industry at present needs to be upgraded and secondly it delivers assistive technology benefits that

have been recommended by the Royal Commission. HSC expects substantial growth in its licence revenues as a result of this partnership, based on an expected 40% increase in subscriber volumes which should flow from the partnership.

Earlier during the Quarter HSC also announced that it was partnering with Johnson Controls' ADT Security Pacific (ADT) to supply next generation assistive technology solutions in Australia and New Zealand and has since received an initial purchase order of \$465,000. Johnston Controls is a multinational entity and offers the world's largest portfolio of building products, technologies, software and services.

ADT has also recognised and acknowledged the need to replace its ageing PERS platform, built on the ageing 3G system.

The appointment of HSC to assist ADT in this journey is a high endorsement of HSC and its solution based on the advance suite of hardware and the TALIUS IoT platform, with ADT's Project Manager Yuri Starostin, being quoted as saying *"the HSC solution gives ADT the flexibility to provide a platform to our clients to meet their immediate needs of an emergency response system but also grow with their needs and extra features and safety measures to allow them to Age in Place...."*

Operations

HSC continues to have several projects underway, each of which will generate incremental subscribers to our assistive technology platform Talius:

- ACH: project delivery is continuing across a total of seven sites after a further two were awarded this quarter. The seven sites are due for completion during this calendar year
- The project team are continuing the implementation with St John's Home for Elderly Persons in Singapore
- Our relationship continues with Odyssey Lifestyle Care Communities with a trial of the Sleepsense technology

Research and Development

- The Sleepsense technology has been successfully integrated into the Talius platform.
- Integration of the CSIRO Smarter Safer Homes Technology's Activities of Daily Living algorithm continues.

Financial Position

The Company closed the Quarter with total cash of \$3.522 million. The related party payments of \$0.296 million noted in Section 6 of the accompanying Appendix 4C during the Quarter relate to payments for inventory, director fees, salary and superannuation. Please refer to the Company's Appendix 4C for further details.

The Company had a strong March sales Quarter with \$0.5 million cash received from sales of assistive technology to enterprise customers with a further \$0.5m in billings expected to be collected in April. We have continued our strategy of replenishing inventory base levels to minimise lead time for our customers and resellers.

Corporate

Reaffirming our commitment to build a high performing and diverse team we have appointed Shonnea Nicol to the role of CFO and Stephen Rogers continues as Company Secretary in a single capacity after Marcus Fraumano has moved to Business Development in VIC.

During the Quarter, the vesting criteria for 15 million Performance Rights held by the Managing Director, Graham Russell was satisfied. These Performance Rights which were part of Graham's remuneration package were issued and approved by Shareholders at the Company 2020 Annual General Meeting. The vesting condition linked to the Performance Rights

was that the Company's share price remain at \$0.02 or more calculated upon the 20-day volume weighted average price. These Rights may now be converted to ordinary shares.

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

As expected, the sector is seasonally a little slower during January and February however I am very pleased with the overall outcome for the quarter and am confident with our strong pipeline we will continue to grow. We have had a number of wins during the quarter including the supply of all PERs and Assistive Technology to Johnson Controls / ADT in Australia and New Zealand.

ADT purchased the emergency response business of RAA - in South Australia (one of the largest providers in Australia) and we see great growth opportunities working with ADT throughout 2021. This was then followed on with our joint partnership with Telstra to upgrade all of Anglicare NSW - Retirement Villages which is in current roll out with numerous sites already completed.

Our projects division has been progressing well and is in the final stages of the ACH sites in Adelaide and we welcomed another purchase order in March for two more sites, which will start this quarter.

These continued sales of Assistive Technology Sensors connected to the HSC TALIUS Platform continue to build out our unique data sets and provide us with one of the largest and most valuable pools of actionable data sets in the aged care sector in APAC. We can see the significant growth in our subscribers connecting each month as the roll out and commissioning continue with a 11% growth this quarter.

Finally, in line with our strategy to east coast our operation, consolidate costs and ensure we are closer to port and transport facilities, we are transitioning our logistics and support functions to Brisbane.

We look forward to the next couple of quarters as we see the Aged Care sector recover from a very hectic year of COVID restrictions and then the Royal Commission recommendations we can see a concerted effort by the sector start to adopt many of these recommendations and look to see how technology will assist.

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

Investor Enquiries:

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Company Secretary

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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

Name of entity

HSC TECHNOLOGY GROUP LTD

ABN

62 111 823 762

Quarter ended ("current quarter")

31 MARCH 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	521	521
1.2 Payments for		
(a) research and development	(36)	(36)
(b) product manufacturing and operating costs	(835)	(835)
(c) advertising and marketing	(71)	(71)
(d) leased assets	(50)	(50)
(e) staff costs	(384)	(384)
(f) administration and corporate costs	(127)	(127)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	48	48
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(935)	(935)
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	4,457	4,457
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(935)	(935)
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	3,522	3,522

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	3,496	4,431
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)	3,522	4,457

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter
\$A'000

296

-

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

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at
quarter end
\$A'000

Amount drawn at
quarter end
\$A'000

-

-

-

-

-

-

-

-

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)	(935)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,522
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,522
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.8

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: 30 April 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.