

Harris Technology Group Limited

ASX:HT8

31 July 2017

ASX and Media Release

Interim and Unaudited Results for Year ending 30/06/17

Harris Technology Group Limited (ASX: **HT8**) (**Harris Technology** or the **Company**) today released its Appendix 4C for the Quarter ending 30 June 2017 (4Q17) and in assessing the management accounts on performance for the year (1 July 2016 to 30 June 2017) are pleased to advise the following:

Company Quarterly Activities Review

Over the past quarter Harris Technology has successfully implemented its strategy of improving operational efficiencies, expanding product range and increasing revenues. The Company continues to focus on improving business and driving revenues to grow the company.

Divestment of Your Home Depot and absorbed Audion into Anyware

During the quarter Harris Technology implemented its strategy to meet and grow with the challenges of changing market conditions. As a result of this review, Harris Technology divested Your Home Depot (**YHD**) which was part of the Shoply group of businesses acquired some 16 months ago. The sale of the YHD business will allow management to focus on the core strategy of further developing the Manufacturer-To-Consumer (**M2C**) model business that brings cost and consumer benefits from cross border direct shipment while having the benefit of a local presence.

As a result of the Board's review of Harris Technology's business strategy, the Board has determined to absorb the Audion business internally to the Anyware business in order to further reduce operational costs and streamline functions.

Commenced establishment of Hong Kong joint venture for M2C model

Continuing the business growth strategy Harris Technology commenced engagement to establish a joint venture in Hong Kong to facilitate and strengthen the M2C strategy with partners in Shenzhen, China. This joint venture will substantially increase Harris Technology's potential to provide a broad and profitable range of products that will be supplied direct from manufacturers in China, to consumers in Australia, while having a local presence to distribute and deal with. Harris Technology are one of the leading local e-retail companies in the improving M2C landscape and anticipate strong and sustainable growth to develop from this business model as more quality products and brands become available.

Financial Summary

On the basis of unaudited preliminary FY17 results, revenue achieved for the year was recorded at \$53.88 million (which includes \$2.64 million from discontinued operations). Despite challenging market conditions, the Group maintained its margins during the year with the result that Group EBITDA of \$591,000 (preliminary and unaudited) was achieved. Net loss for the year was \$2.99 million which includes the \$3.1 million impairment loss reported in the Half Year report.

The Board is confident that its cost reduction strategy will enable it to achieve a positive result for FY18, with \$1million savings over budget for FY17.

The CEO Garrison Huang commented on the years performance; *“Notwithstanding the highly competitive market we are operating in, we have completed our cost reduction mission satisfactorily and have worked hard on aligning the business to compete aggressively in the future. We have now fully integrated the Audion acquisition into the business and recently sold the ‘Your Home Depot’ business. Successfully implementing our growth and efficiency strategy, Harris Technology is now well placed to continue to grow our product range, commence our M2C strategy and grow the business further into FY18.”*
“We continue to work on our joint venture business venture based in Hong Kong developing our M2C business”

2018 Outlook

The Group have completed budgets and business reviews for the 2018 year anticipating increase in revenue, a positive Net Profit and increase in EBITA. The market will be receiving an update from the CEO during the current quarter.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Harris Technology Group Ltd

ABN

93 085 545 973

Quarter ended ("current quarter")

30 JUNE 2017

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		15,705	61,570
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(9,566)	(43,672)
(c) advertising and marketing		(151)	(377)
(d) leased assets		-	-
(e) staff costs		(1,413)	(5,720)
(f) administration and corporate costs		(278)	(1,148)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	6
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	(306)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		(6)	37
- GST Paid		(507)	(1,681)
1.9 Net cash from / (used in) operating activities		3,785	8,709
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		-	(4)
(b) businesses (see item 10)		-	(1,421)
(c) investments		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	5	5
	(b) businesses (see item 10)	140	140
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	145	(1,280)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	500
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	1,200
3.6	Repayment of borrowings	(3,295)	(9,412)
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	(3,295)	(7,712)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,584	2,502
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,785	8,709
4.3	Net cash from / (used in) investing activities (item 2.6 above)	145	(1,280)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,295)	(7,712)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,219	2,219

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	2,219	1,584
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)	2,219	1,584

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

(594)

-

Director Fees, Inventory payments to entities relating to B.Xu & H.Chen, Rental payments to entities relating to G.Huang & B.Xu, Rental payments to G.Huang

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	4,000	2,156
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
Trade finance facility held with Westpac, secured, variable base rate + 0.90% margin rate		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(13,406)
9.3 Advertising and marketing	(84)
9.4 Leased assets	-
9.5 Staff costs	(1,274)
9.6 Administration and corporate costs	(770)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(15,534)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Audion Innovision Pty Ltd	Your Home Depot (business, not an entity)
10.2 Place of incorporation or registration	Australia	Australia
10.3 Consideration for acquisition or disposal	1,421	791
10.4 Total net assets	1,336	582
10.5 Nature of business	Technology distribution	Online kitchenware retailer

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.

Sign here:

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(Director)

Date: 31 July 2017

Print name: Andrew Plympton

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.