

25 October 2021

Quarterly Activity Report – September 2021

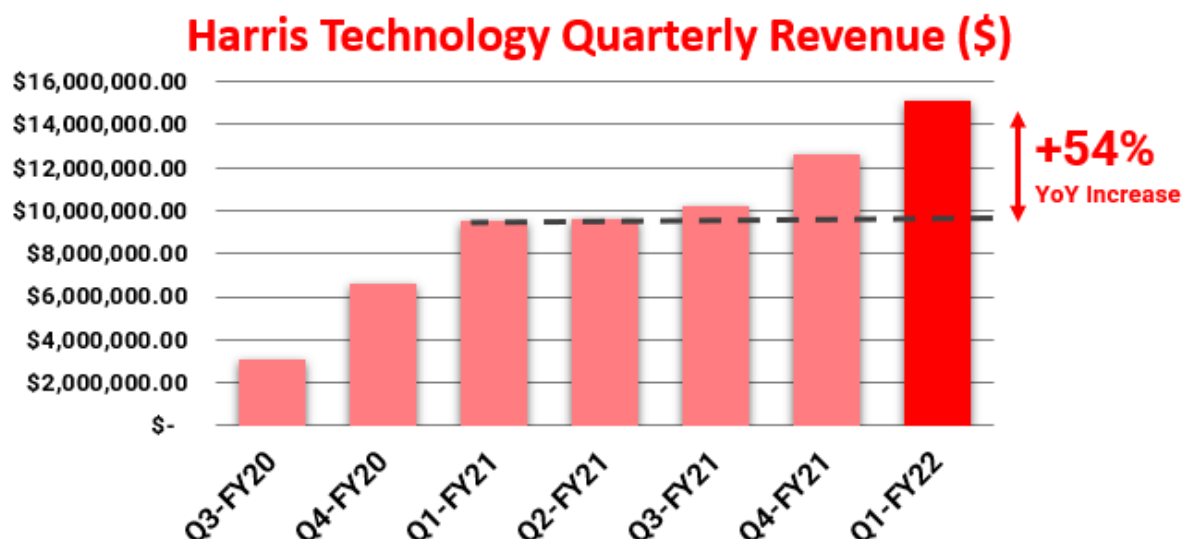
Highlights:

- Record breaking Q1 sales of \$15.1M compared to previous corresponding period of \$9.8M – 54% YoY growth.
- Single month record set in August 2021 with \$5.6M in total sales.
- Positive Q1 operating cash flow of \$502K.
- Harris Technology has maintained its Number 1 seller ranking on Amazon AU and achieved 100% positive customer reviews again in recent months.
- A new website of www.ht.com.au has been launched with additional features and further improvement being made continuously.
- Warehouse upgrade scheduled for November 2021 to consolidate the current three smaller warehouses into one larger complex to facilitate greater inventory turnover and operational efficiency.

Pure-Play IT and Consumer Electronics online retailer Harris Technology Group Limited (ASX: HT8) is pleased to provide its activity report for the September FY22 quarter.

Operations Update

Sales revenue for the quarter of \$15.1M* represented a new quarterly record and a 54% increase on the previous corresponding quarter.



Technology and consumer electronics products continue to sell well through marketplace channels including Amazon AU where Harris Technology has maintained 100% positive customer reviews over the past 12 months assisting Harris in maintaining its Number 1 ranked seller rating on Amazon AU. Sales across Amazon, eBay, Catch, Kogan and MyDeal all delivered quarter-on-quarter increases.

The new Harris Technology website has been launched with further improvements being made. Further development of integration to the back-end ERP is being undertaken.

Having achieved some major milestones in its revenue growth in recent quarters, the Company is now working on balancing revenue growth and profitability. Management has carried out reviews of brands sold and has increased direct importing and private label business in recent months.

Inventory Update

The Company notes that ongoing chipset shortage and international shipping disruption have resulted in some lengthy supply chain delays. Through well-established international and domestic vendor and distribution partnerships and a proactive buying strategy however, Harris Technology's inventory has been well replenished and remains well stocked to meet customer demand.

On 30 September 2021, inventory on hand was \$12.6M representing an 18% quarter-on-quarter increase on the \$10.8M as of 30 June 2021. This increase in inventory has been funded from free cash flow.

Moving Warehouse

In order to consolidate its 3 warehouses, improve efficiency and co-site all employees, Harris Technology is set to move into one large complex in November 2021. This move is not expected to cause major impact in dispatch of customer orders.

Expenditure incurred during the quarter

Expenditure Category	Amount \$
Purchase of Inventory	14,411,000
Advertising	5,000
Staff Administrative and Corporate Costs	904,000

Cash Flow

During the quarter Harris Technology recorded a positive cash flow from operating activities of \$502,000 and repaid borrowings of \$255,000.

Cash on hand was \$3.5M, up from \$3.2M at 30 June 2021.

Related Party Payment

Payment of directors' fees were \$38k during the quarter (refer line 6.1 of appendix 4C).

Harris Technology CEO, Garrison Huang commented, "Harris Technology has continued to build on the momentum of 206% FY21 revenue increase. FY21 was a year that saw 82% of Australian households participate in online shopping ^[1]. This has Harris Technology ideally positioned to capitalise on online shopping trends in the upcoming busy holiday season."

*All FY2022 financial data quoted is unaudited.

Harris Technology welcomes investors to join the HT8 investor mailing list for Company updates, industry research and investor discounts by subscribing at:

<http://ht8.com.au/subscribe>.

For more information, contact:

Garrison Huang

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This announcement has been authorised for ASX release by HT8 Chairman, Alan Sparks.

1. Australia Post - Inside Australian Online Shopping - eCommerce Industry Report 2021, https://auspost.com.au/content/dam/auspost_corp/media/documents/ecommerce-industry-report-2021.pdf

About Harris Technology Group Limited

Harris Technology Group Limited is a publicly listed company on the Australia Securities Exchange (ASX code: HT8). The Company's main business is the eCommerce business of Harris Technology (HT) – www.ht.com.au. Harris Technology is a well-known brand with a 30+ year history in IT/CE retail market covering a very wide range of IT products for small and medium businesses in Australia. Harris Technology was previously owned by Officeworks under Wesfarmers and prior to this, it was owned by Coles Myer Group. Harris Technology no longer operates any physical shopfronts – all businesses of Harris Technology are conducted online both on www.ht.com.au and via the major online platforms such as Amazon, Kogan, Catch and eBay etc.

Appendix 4C

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

Name of entity

Harris Technology Group Limited

ABN

93 085 545 973

Quarter ended ("current quarter")

30th September 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		15,822	15,822
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(14,411)	(14,411)
(c) advertising and marketing		(5)	(5)
(d) leased assets			
(e) staff costs		(548)	(548)
(f) administration and corporate costs		(356)	(356)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid			
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		502	502
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities			
(b) businesses			
(c) property, plant and equipment			
(d) investments			
(e) intellectual property			
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...3....months) \$A'000
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	(255)	(255)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	20	20
3.10	Net cash from / (used in) financing activities	(235)	(235)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,262	3,262
4.2	Net cash from / (used in) operating activities (item 1.9 above)	502	502
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...3....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(235)	(235)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,529	3,529

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	3,529	3,262
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)	3,529	3,262

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	(38)
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>		
<i>Notes:</i>		
6.1	Director Fees and Company Secretary Fees	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	1,679	1,679
7.2	Credit standby arrangements	2,350	-
7.3	Other (please specify)	347	347
7.4	Total financing facilities	4,376	2,026
7.5	Unused financing facilities available at quarter end		2,350
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. 1. Loan of \$1,679,027 from MD/CEO. The loan is 3% annual interest effective from January 2021, unsecured and no specified maturity date and repayable in instalments of \$20,000 per fortnight. 2. A loan facility of up to \$1.5 million from MD/CEO. The loan is 3% annual interest, unsecured and expires on 31 December 2021. The amount currently drawn – NIL, 3. \$850,000/- Unlock / The Marketlend facility will be secured by a PPSR charge, available at the interest rate of 1.5% for 30 days. 2.75% for 60 days or Over 90 days 4%. The amount current drawn - NIL 4. Loan of \$347,115 from Shu-Mei Chang at the interest rate of 2.5% annually. The loan is unsecured. The loan is repayable in monthly instalments which will fully amortise the loan by May 2022		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	502
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,529
8.3	Unused finance facilities available at quarter end (item 7.5)	2,350
8.4	Total available funding (item 8.2 + item 8.3)	5,879
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:

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.

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:25-10-2021.....

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.