

HSC Technology Group December 2020 Quarterly Report

29 January 2021

- **Cash receipts of \$1.329 million for the Quarter from customers**
- **Successful capital placement of \$3.0 million**
- **Cash and cash equivalents at the end of the Quarter was \$4.457 million**
- **The Company now has more than 4,700 active commercial subscriptions in Australia and New Zealand, an increase from the 4,500 reported in Q3**
- **New partnerships signed including CSIRO and Tochtech Technologies**

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 December 2020 (the "Quarter").

The Company remains fully committed to sales growth and delivery of its customer projects, and both focus areas have continued to be successfully progressed during the December Quarter. HSC signed a new partnership agreement with Canadian company Tochtech, for its innovative SleepSense solution, and also licensed a key technology solution from Australia's national science agency, the CSIRO. Both agreements are expected to drive new revenue in 2021.

Sales

In the previous business update for the September Quarter, HSC advised it had appointed two business development managers to execute on the Company's growth strategy. HSC is pleased to report another business development manager was appointed during the December Quarter, bringing the sales team to three full-time staff in addition to the Managing Director.

During the Quarter, HSC recognised sales revenue of more than \$890,000, with sales receipts of more than \$100,000 received from a number of key customers in the Quarter, including Enrich Living, Bolton Clarke and Securely in New Zealand.

Operations

The Company won a number of key contracts in the previous Quarter, including St John's Home for Elderly Persons in Singapore. This project has now commenced project delivery, via our Singapore-based partner. Overall, HSC has a number of large projects underway, each of which will generate incremental subscribers and new recurring revenue:

- **ACH contract:** The project is for the delivery of assistive technology at nine residential aged care sites. The first site (Kapara) has been completed and is currently being handed over to ACH.
- **Odyssey:** In Q1 2020, the Company was awarded a contract for the delivery of assistive technology to a development by Odyssey Lifestyle Care Communities. The project successfully went live in July 2020 and HSC is continuing to provide incremental project activities.
- **Enliven:** Enliven Housing is delivering assistive technology to the disability sector, and HSC has completed the San Souci Project.
- **St John's Home for Elderly Persons in Singapore:** project delivery has commenced.
- **Enrich Living:** HSC has completed the rollout of 100 units of the HSC Smart Care solution.

Financial Position

The Company closed the Quarter with total cash of \$4.457 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 December Quarter with \$1.3 million cash received from sales of assistive technology to enterprise customers.

In December, HSC elected to proceed with a capital raise of \$3.0 million. The placement was successful, and the funds will be used to increase working capital for an increased sales pipeline, strengthen the balance sheet, and position HSC for future growth opportunities.

Corporate

The Company recently announced the appointment of an Advisory Board to bolster industry expertise. The Advisory Board has been established to provide guidance, advice and networking assistance to HSC, and a number of introductions have resulted in a pipeline of activity.

HSC believes that there are a number of catalysts for change in the way aged care is delivered, and assistive technology will be at the forefront of these changes. Remote Patient Monitoring (RPM) provides access to key health data, which can be used to make better and more informed decisions on patient care. The Royal Commission into Aged Care has confirmed the need for innovative models of care, including the use of assistive technology. A number of existing healthcare solutions utilise the 3G mobile telephony network, which is due to shut-down in 2024.

These catalysts validate the opportunity for HSC and its data-driven platform, which provides insights from thousands of data points for improved care, lower operating costs and low-cost deployments of assistive technology to deliver real and tangible benefits for care to vulnerable people.

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

"I am very pleased with our performance for the Quarter, and the results for the year overall. We have taken significant steps to drive the Company's revenue, and have established the foundations for a very successful 2021. These foundations include relocating to the east coast, hiring an experienced sales team, investing in an inventory management solution, and refreshing the board of directors.

"On the technology front, HSC is continuing to invest in a best-of-breed solution for assistive technology, which is underpinned by our proprietary AI platform, TALIUS. We are partnering with a number of exciting and innovative partners such as CardiacSense, CSIRO and Tochtech, to provide further health innovation and drive corporate performance.

"We have a number of major projects underway, and each win further validates our go-to-market approach. HSC has demonstrated success in selling into key market segments, including:

- Community Housing – Bolton Clarke
- Residential Aged Care – Aged Care and Housing Group
- Disability Housing – Odyssey Lifestyle Care Communities
- International – St John's Home for Elderly Persons in Singapore

"Finally, we were pleased to have an over-subscribed capital raise, which confirmed that the market understands our vision and is prepared to invest in the Company, to facilitate execution of the strategy. We see this as a very strong endorsement of our approach and I am looking forward to an exciting year ahead."

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

Investor Enquiries:

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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	Quarter ended ("current quarter")	
62 111 823 762	31 December 2020	

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	1,329	3,970
1.2 Payments for		
(a) research and development	(36)	(112)
(b) product manufacturing and operating costs	(817)	(3,603)
(c) advertising and marketing	(32)	(94)
(d) leased assets	(48)	(87)
(e) staff costs	(366)	(1,037)
(f) administration and corporate costs	(116)	(484)
1.3 Dividends received (see note 3)		
1.4 Interest received		2
1.5 Interest and other costs of finance paid		(20)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	107	264
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	21	(1,201)

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)	2,998	2,998
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	(43)	(83)
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)	-	5
3.10	Net cash from / (used in) financing activities	2,955	2,920

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,482	2,744
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21	(1,201)
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)	2,955	2,920
4.5	Effect of movement in exchange rates on cash held	(1)	(6)
4.6	Cash and cash equivalents at end of period	4,457	4,457

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	4,431	1,456
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)	4,457	1,482

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	296
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	-
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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)	21
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,457
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,457
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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: 28 January 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.