

HSC Technology Group September 2021 Quarterly Report

29 October 2021

- **Cash receipts from customers of \$722,000 for the quarter**
- **Cash and cash equivalents at the end of the quarter was \$2.202 million**
- **HSC subscriptions increased 9.3% in the quarter with over 8,100 active subscribers**

HSC Technology Group Ltd (ASX:HSC) ("**HSC**" or "**Company**") is pleased to provide the following activities and business update alongside its Appendix 4C - Quarterly Cashflow Report for the quarter ended 30 September 2021 (the "**quarter**").

Although the quarter was challenging with travel restrictions and COVID lockdowns HSC continued to progress its sales strategy across several aged care markets.

Home Care

Our existing reselling partners ADT, Tunstall, Bolton Clarke, IRT, and Feros Care servicing the in-home care market continued to provide orders.

Retirement Villages

In the retirement villages sector HSC continued to support the Telstra / Sapio partnership with the ongoing upgrade of approximately 2,300 personal alarm systems for Anglicare Retirement Villages in NSW.

Residential Aged Care Projects

The Projects division during the quarter achieved 95% completion of the St John's Home for Elderly Persons, project in Singapore, continued the delivery of the ACH Group sites in South Australia, and assisted our reseller eHomecare with the Finley Regional Care – Residential Aged Care Facility in Victoria.

Sales

Sales revenue recognised in the September quarter was \$0.8 million and was broadly in line with Q3 2020. While the Company's sales pipeline continues to build, the quarter under review proved to be challenging with the level of COVID restrictions and extended periods of lockdown in both New South Wales and Victoria.

Year to date revenue has grown 5.9% when compared to the same period last year, achieved largely through our continuing partnerships with ADT, Securely New Zealand, Bolton Clarke, the ACH Group, St John's Singapore and Sapio.

Shortly following the end of the quarter, the Company announced on 13 October 2021 the signing of its first contract with Australian Unity to supply next generation Assistive Technology solutions for the upgrade and refurbishment of its aged care and in home care facility located at 114 Albert Road, South Melbourne, Victoria. The contract for this project is valued at \$1.04 million and covers the supply and installation of HSC solutions. Additionally, HSC will provide ongoing monitoring and maintenance for 71 assisted living apartments and 84 residential aged care apartments that will generate recurring revenue.

Then again on 28 October 2021, the Company announced its second contract with Australian Unity to supply next generation Assistive Technology solutions for the upgrade and refurbishment of its aged care facility Walmsley located at, Kilsyth, Melbourne, Victoria. The contract for the project is valued at \$0.9 million and covers the supply and installation of HSC solutions. Additionally, HSC will provide ongoing monitoring and maintenance for 120 residential aged care apartments that will generate recurring revenue.

The scope of the HSC engagement for both Australian Unity sites encompasses the following components:

- HSC Smart Care Facility System – including the Care@Home Nurse Call, wearable pendants, motion sensors, falls radar and the Sleepsense sleep monitoring solution.
- TALIUS Track – a real-time location system which provides data for ensuring the wellbeing of residents and compliance reporting.
- HSC Resident Engagement System – including a digital concierge capability, telehealth functionality, and access to social media and subscription TV.
- HSC Laundry Garment Management System – a comprehensive solution for monitoring and management of laundry items, to ensure all garments are accurately tracked.

All the above components are integrated as part of HSC's TALIUS Smart Care Platform - an agnostic Artificial Intelligence (AI) engine powered by the patented CSIRO Safer Smarter Homes Activities of Daily Living algorithm that links with existing systems and technology to provide resident oversight through simple dashboards.

During the quarter, the Company also announced pivotal reseller agreements with:

- **Tunstall Healthcare** (announced 9 August 2021) - an initial three-year reseller agreement which makes the TALIUS Smart Care platform and HSC products accessible to Tunstall Healthcare clients. An initial order was received in September for our 4G PERS (personal emergency response system).
- **VitalCALL/Chubb** (announced 17 August 2021) - reseller agreement signed to supply next generation assistive technology to their national client base.

Future projects already awarded:

- **The Healy Retirement Village** – Moorabbin Victoria
- **Odyssey Private Aged Care** - Tower 3 – Robina QLD

All Company projects generate hardware sales as well as incremental subscribers to our TALIUS Smart Care platform.

Research and Development

The HSC R&D team have finalised the development of software for the integration of CSIRO's Activities of Daily Living algorithm under our exclusive six-year licensing agreement.

This software delivers insight on each resident by creating a profile of daily living activities using the patented CSIRO algorithm and HSC's TALIUS Smart Care platform. It will provide care teams with a first to market proactive care platform. The TALIUS Smart Care Platform captures data through a bespoke wristband pendant that incorporates advanced accelerometer and Bluetooth location technology. This wristband provides TALIUS with crucial data on daily living activities including step count, location, the absence of attending the dining room or changes in hygiene patterns. The pendant also acts as a mobile emergency button to allow residents to call for help anywhere in the facility.

HSC continues trials and pilots with emerging product solutions and other aged care providers to expand the way our TALIUS Smart Care Platform can assist the aged care industry. We look forward to sharing the results of these trials on completion in coming quarters.

Financial Position

The Company closed the quarter with total cash of \$2.202 million.

The Company received during the quarter \$722,000 from sales of assistive technology to enterprise customers.

Total active subscriptions producing recurring revenue increased to more than 8,100 by the end of the quarter which represents a 9.3% increase from June 2021 and an 81% year on year increase.

Expenditure incurred throughout the quarter was \$1.79 million, with 63% (\$1.12 million) expended on replenishing inventory base levels to minimise lead times, 27% (\$0.49 million) on staff costs including Directors fees and R&D, with the remaining balance of 10% (\$0.18 million) going towards marketing, office rent and other general administration costs.

The related party payments of \$58,000 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. Please refer to the Company's Appendix 4C for further details.

Corporate

During the quarter, the vesting criteria for the first tranche of 5,000,000 unlisted performance rights for the Advisory Board has been satisfied. As announced in the Appendix 3B on 9 June 2021 the first tranche would vest and become exercisable into shares upon the Advisory Board members completing 9 months of continuous service, being the sole method of remuneration for the current Advisory Board members.

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

"The third quarter for HSC has proved to be challenging with COVID restrictions and lockdowns however, we continue to build a strong pipeline and have seen the continued support from our existing reselling partners.

Our first contracts with Australian Unity are a major win for our organisation. I am incredibly pleased that Australian Unity has recognised our vision on how assistive technology can truly

empower and assist people in the aged care sector. It is very exciting to be part of the solution that will assist them to deliver their philosophy of “Better Together.”

The signing of reseller agreements with two of Australia’s major providers of personal emergency response systems with Tunstall Healthcare and VitalCALL/Chubb provides further validation that our TALIOUS Smart Care Platform and HSC Care solutions will support the aged care industry to deliver innovative proactive care solutions that enable people to live where and how they like, with the help they need.

The HSC team continues to build a strong foundation and partnerships with key signature clients that validate our technology and continues to build credibility which positions HSC well for the future.”

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 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 TALIOUS Smart Care combine smart sensors with AI machine learning (powered by CSIRO) that delivers automated actions. TALIOUS 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
- ❖ 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")

30 SEPTEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	722	2,342
1.2 Payments for		
(a) research and development	(38)	(112)
(b) product manufacturing and operating costs	(1,123)	(2,728)
(c) advertising and marketing	(39)	(147)
(d) leased assets	4	(63)
(e) staff costs	(450)	(1,245)
(f) administration and corporate costs	(133)	(333)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(7)	(17)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		48
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,064)	(2,254)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	(1)
	(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	(1)	(1)

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	3,267	4,457
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,064)	(2,254)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
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	2,202	2,202

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	2,144	3,241
5.2	Call deposits	58	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)	2,202	3,267

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	58
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

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.

	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)	(1,064)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,202
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,202
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.1

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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

- 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

- 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: 29 October 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 – e.g. 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.