

HSC Technology Group December 2021 Quarterly Report

31 January 2022

- **Cash receipts from customers of \$1.025 million for the quarter**
- **Cash and cash equivalents at the end of the quarter was \$1.794 million**
- **HSC subscriptions increased 20.4% in the quarter to over 9,700 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 31 December 2021 (the **quarter**).

HSC is continuing to execute on its strategy, despite the operational challenges in the Aged Care Industry caused by COVID-19. While the pandemic has impacted the pace at which implementation decisions are being made, we are more confident than ever, that HSC's commitment to its clients and strategy will hold us in good standing going forward.

Across our aged care markets, we have seen the following activity this quarter:

Home Care

We have witnessed continued growth in the home care sector as more aged care providers identify the value of remote client monitoring particularly with COVID-19 isolation, travel restrictions and care staff shortages.

Our existing reselling partners are adopting numerous components of the Talius platform, from basic personal emergency response systems to advanced radar falls detection, vital signs monitoring and our AI predictive analytics.

ADT, Tunstall, Bolton Clarke, Feros Care, Telstra /Sapio, Meditrak, Intelligent Home, integratedliving and Hammond Care all servicing the in-home care market continued to provide ongoing orders.

Retirement Villages

In the retirement villages sector HSC has seen a significant increase in interest due to the impending 3G network shutdown, and the requirement for village operators still using this technology to replace all their personal medical emergency devices. Our partnership with Telstra / Sapio has continued with the ongoing upgrade of approximately 2,300 personal alarm systems for Anglicare Retirement Villages in NSW.

Additionally, we have secured a recent purchase order from our new reselling partner NCIS Group-Sydney to upgrade The Shoreline Retirement Village in Coffs Harbour.

Residential Aged Care Projects

The HSC Major Projects division has been very busy during the quarter finalising numerous projects. Our international rollout has formalised with The St John's Home for the Elderly in Singapore going live in December. Other projects that have been delivered include:

- 2 more ACH Group sites in South Australia, (Kapara and Coulton Court)
- The Finley Residential Aged Care Home with our reseller partner eHomecare
- Summer Housing NDIS - Melbourne with our reseller partner Intelligent Home
- The Healy - Moorabin

Current projects that are progressing in various stages of construction and retrofit:

- Australian Unity - Albert Road and Walmsley
- ACH - Yankalilla, Highercombe, Milpara, Daw Park, Perry Park, and West Park
- Odyssey Private Aged Care - Robina Tower 3

Sales

Sales revenue recognised in the December quarter was \$1.1million which was 60% higher than Q4 2020.

Year to date revenue has grown 17% 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 Telstra / Sapio.

On 13 October 2021 HSC announced 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 assisted living care facility located at 114 Albert Road, South Melbourne, Victoria. The contract for this project is valued at \$1.04m and covers the supply and installation of multiple 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.

Following this, 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 this 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.

Future projects already awarded:

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

On 16 December 2021, the Company announced a partnership with integratedliving which will see the first commercial use of CSIRO-researched and patented Smarter Safer Homes (SSH) technology:

- CSIRO SSH has been exclusively embedded into the Talius platform. It assists Talius to provide evidenced-based information which allows clients to be remotely monitored and provide proactive alerts to carers.
- integratedliving was one of the providers who participated in the original SSH field research.
- Modelling shows technologies such as SSH could save the government up to \$80 million each year.
- Initially integratedliving “core” clients will be able to access SSH from December 2021. The service will gradually be made available to all integratedliving 10,000 plus clients in the regional, rural and remote communities it serves.
- HSC has exclusive use of SSH for its Talius Smart Care platform.

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

Research and Development

HSC remains committed to a progressive and appropriate R&D program to ensure we meet the needs of our clients and anticipate requirements as those needs evolve. Examples of HSC pursuing these needs include the following examples.

The St John of God project in Singapore is now live and this project showcases our first integration of Talius Track RTLS (Real-time locating systems) into the site’s access control technology through our Talius Smart Care platform. Aged Care residents often struggle to use keys due to memory and dexterity challenges; this allows residents as they approach a door for it to lock or unlock automatically depending on the residents’ access rights. This assists with safety concerns and dementia wandering providing more peace of mind for families, improving operational efficiencies for carers, as well as improving dignity and autonomy for residents.

The Talius Track location data has also been utilised with the CSIRO SSH algorithm to assist St Johns to provide proactive alerts for their clients and this is the first use of the technology in an aged care facility.

HSC has also successfully integrated our Lifewatch Pod into our Talius Smart Care platform. The Lifewatch Pod is a waterproof 4G smart personal mobile alarm and emergency location device. It features a SOS alarm in real-time with complete location details of the device, two-way calling, fall

down alarm, motion detection and geofencing capability. The units use GPS (global positioning system), Wi-Fi, Bluetooth and LBS (location-based service) technology.

Financial Position

The Company closed the quarter with total cash of \$1.794 million.

The Company received payments during the quarter of \$1.025 million from sales of assistive technology to enterprise customers.

Total active subscriptions producing recurring revenue increased to more than 9,700 by the end of the quarter which represents a 20.4% increase from September 2021 and a 108% year on year increase.

Expenditure incurred throughout the quarter was \$1.43 million, with 56% (\$0.8 million) expended on replenishing inventory, 35% (\$0.5 million) on R&D and staff costs including Directors fees, with the remaining balance of 10% (\$0.14 million) going towards marketing, office rent and other general administration costs.

The related party payments of \$66,000 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 a number of unlisted performance rights, vested or lapsed the details of which are:

- Issue of 5,000,000 Ordinary Shares on conversion of unlisted Performance Rights to Advisory Board Members 10 December 2021; and
- Cessation of 5,000,000 Advisory Board Members Unlisted Performance Rights 10 December 2021.

By the end of the quarter the Company had finalised the winding up of its US subsidiaries which included the securing of local tax clearances. The Company no longer has any interests in the US.

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

"Across the entire Aged Care Industry we are seeing the continuing impact COVID-19 is having. Whilst we continue to have success with our partners, we are seeing a slowdown in the pace of decision making around implementation as the industry grapples with the continuing challenges of the pandemic with extended access restrictions and staff shortages.

What is encouraging however is the continued level of engagement around the benefits our technology is providing the industry and providers seeing the benefit data provides to ensure compliance, staff engagement and comfort to families and residents.

Our partnership with integratedliving is an exciting opportunity and will see the SSH technology and Talius Smart Care platform deploy to their regional, rural and remote clients in their homes.

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 hard work through 2021 has provided an excellent foundation for the year ahead. We have secured and delivered projects to some of the largest providers in Australia, building more credibility and reputation as the leader in the sector.

Our pipeline for 2022 is very strong due to some of the delayed implementation from last year and the continual process improvement from the HSC team will position us for a positive year."

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

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

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.

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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 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	1,025	3,367
1.2	Payments for		
	(a) research and development	(38)	(151)
	(b) product manufacturing and operating costs	(799)	(3,527)
	(c) advertising and marketing	(19)	(166)
	(d) leased assets	(20)	(83)
	(e) staff costs	(457)	(1,702)
	(f) administration and corporate costs	(87)	(419)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(11)	(28)
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	(406)	(2,660)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(2)
	(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	(2)	(2)
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	2,202	4,457
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(406)	(2,661)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
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	1,794	1,794

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	1,736	2,144
5.2	Call deposits	58	58
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)	1,794	2,202

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	66
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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>		
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		-
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)	(406)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,794
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,794
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.4
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	

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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: 31 January 2022

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.