

HALF-YEAR REPORT

30 JUNE 2022

The information contained in this document should be read in conjunction with HSC Technology Group Ltd.'s annual report for the year ended 31 December 2021 and any public announcements made by the Company in accordance with the continuous disclosure obligations arising from the Corporations Act 2001 and the ASX Listing rules.

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Directors Report

The directors present their report, together with the financial statements of the consolidated entity, consisting of HSC Technology Group Ltd ('the Company' or 'HSC') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022 ('consolidated entity' or 'Group').

DIRECTORS

The names of directors in office at any time during or since the end of the period are listed below. Directors have been in office since the start of the period to the date of this report unless otherwise stated.

NAME OF PERSON	POSITION
Leylan Neep	Executive Chairman
Graham Russell	Managing Director
Ramsay Carter	Non-Executive Director

COMPANY SECRETARY

Stephen Rodgers	Company Secretary
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OPERATING RESULTS

The loss of the consolidated entity amounted to \$569,550 (30 June 2021: \$1,084,641) after providing for income tax.

DIVIDENDS

No dividends were paid or declared during the half-year. No dividend has been recommended.

PRINCIPAL ACTIVITIES

The principal continuing activities of the consolidated entity during the half-year was the provision of 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 Talus Smart Care combines smart sensors with AI machine learning (powered by CSIRO) that delivers automated actions. Talus links awareness, analysis, and action through one platform, allowing the care model to move from spot check care to sense-respond care.

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.

REVIEW OF OPERATIONS

An analysis of the Company's interim period's financial and operating performance from continuing operations is outlined below.

Revenue

The Company earns revenue through hardware sales and recurring software subscriptions. HSC's revenue continues to grow with an overall year on year increase of 21.1%. Growth has been achieved through securing significant projects toward the end of 2021 such as Australian Unity and the continued rollout of sites with ACH Group. Our established partnerships with Bolton Clarke, IRT, Feros Care, ADT, Sapio and Telstra continued through the period, and a number of new resellers (as detailed below) have joined our network in 2022.

Subscription growth

Total active subscriptions producing recurring revenue on HSC's Talius Platform continue to grow and by June 2022 were over 13,000, a 76.2% year on year increase and 19.9% increase from December 2021.

Major contract win

On 4 April 2022 HSC announced an initial purchase order from VitalCALL/Chubb for 5,000 personal emergency response systems (PERs) units, with revenue forecast for the order in excess of \$1.6 million. In addition to the initial purchase order, the contract includes a non-binding order target of 20,000 units, providing a further 15,000 units in potential orders.

New Distribution Partnerships

HSC continued to strategically expand our partnership network with the joining of new resellers operating across the Aged Care and NDIS sectors, including:

- Globe Smartlife
- IOTEC
- Alert Tech
- Safety Link
- Simply Unified

During the period, HSC was also pleased to complete our first facility in the NDIS sector with MS QLD.

The ACH Group in South Australia have seen the value of data driven care outcomes from HSC's Talius Smart Care Platform and are the first company in Australia to procure HSC's Talius SleepSense solution, which remotely monitors the quality of sleep, breath rate and heart rate providing invaluable data for care teams while not disturbing their clients. The initial purchase order was for 200 units with other associated peripherals.

Projects completed or underway driving sales in the 2022 financial year

HSC's project division remained busy during the period rolling out a number of projects including:

- Australian Unity – Albert Road, South Melbourne
- Australian Unity – Walmsley, Kilsyth Victoria
- ACH Group – South Australia, sites at Highercombe, Milpara, West Park and Perry Park
- ACH Group – Sleepsense

Product Innovation

With the technology agnostic nature of the Talius Smart Care Platform we continue to explore the market for innovative products that expand our product offering and diversify our subscription mix.

On 9 May 2022 HSC announced approval by the Therapeutic Goods Approval (TGA) and the beginning of commercialisation of the CardiacSense solution. The CardiacSense solution is an enterprise grade medical watch for continuous measurement of heart rate and arrhythmias at ECG-level accuracy.

During the period, HSC was also pleased to sign an exclusive distribution agreement for Australia and New Zealand with Uniper Care Ltd, a leading developer of digital aging at home solutions.

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.

HSC has commenced the unified dashboard project to enhance data visualisation and provide a simple user interface for service and support teams to maintain the sensors that provide the data with ease. Further to this, the project will provide an enhanced dashboard displaying the health metrics of the clients and residents. This visualisation provides tangible information for all stakeholders - executives, care teams, families, and residents.

FINANCIAL POSITION

HSC's revenue for the period ended 30 June 2022 was \$2,212,820, which is an increase of \$385,716 or 21% compared to \$1,827,104 for the period ended 30 June 2021. Improved revenue performance was driven by continuing hardware sales through resellers, major projects with Australian Unity and ACH Group and growth in subscriptions on the Talius Smart Care Platform.

The Group's total loss for the period ended 30 June 2022 was \$569,550, an improvement of \$515,091 or 47% compared to the same period in 2021. Profitability improvement was driven by sales growth and an improvement in gross margin to 57% compared to 35% for the period ended 30 June 2021. A contributing factor to margin improvement was the strategic decision on purchasing, off the back of the stronger Australian dollar in 2021.

Net cash outflows from operations were \$1,655,188 (First half 2021: \$1,168,054). An additional \$1,118,649 has been invested in inventory to counteract supply chain challenges of longer lead times to ensure continuity of supply to our clients and anticipated pipeline.

HSC successfully raised \$1,500,000 during the period ended 30 June 2022 via a share placement. The proceeds of the placement, along with existing cash holdings, were used to bolster hardware inventory levels for an increased sales pipeline, strengthen the balance sheet, and position HSC for future growth opportunities.

The net asset position of the Company at 30 June 2022 was \$4,489,498, which is an increase of \$1,025,388 compared to \$3,464,110 at 31 December 2021. The movement was primarily made up of a decrease in cash of \$236,607, an increase in inventory of \$1,958,462, and a net decrease in receivables and payables of \$596,138. HSC ended the period with cash of \$1,511,283.

The consolidated entity's net working capital, which is current assets less current liabilities, is a surplus of \$4,399,705 (FY 2021: \$3,362,287).

BUSINESS RISKS

HSC is subject to risks a number of which may have a material adverse effect on operating and financial performance. HSC's Risk Management Policy can be found on its website. It is not possible to identify every risk that could affect the business or shareholders and the actions taken to mitigate these risks cannot provide absolute assurance that a risk will not materialise or have a material adverse effect on business strategies, assets or future performance of HSC. A non-exhaustive list (in no particular order) of material risks and relevant mitigation strategies implemented by the Company are set out below.

Risk	Description and potential impact	Strategies used to mitigate the risk
Pandemic	The Covid-19 pandemic may impact the Company's revenue and operations. The Company sells products and services to aged care providers who continue to experience operational challenges which may impact the pace at which implementation decisions are made in the aged care industry.	The Company's revenue mix is diversified across customer segments including residential aged care, retirement villages, and home care which may mitigate the impact the pandemic has on different industry groups.
Product quality	The Company may experience product failure, or customer dissatisfaction with its hardware solutions or software platform.	The Company implements quality control processes and ensures appropriate testing and monitoring of products to ensure a high standard of safety and efficacy. The Company also maintains product liability insurance.
Funding	The Company may need to raise additional funds (debt or equity) to support its ongoing operations or implement its strategies. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Inability to obtain sufficient funds may result in the delay or cancellation of certain activities which would likely adversely affect HSC's growth.	The Company actively manages its capital requirements and maintains close relationships with its existing investor base, as well as exploring both equity and debt new sources of capital should the need to raise additional funds arise.
Technology	The Company is reliant to a certain degree on third party developers, systems, and networks. Changes to the supply of platforms or hardware may impact operations and have a detrimental impact on financial performance.	The Company's supplier agreements include protections for continuation of service. The Company has a diverse product range to minimise third party reliance, as well as continually monitoring the market for alternative suppliers.
Data security	The Company may experience a data breach or failure, or be the target of a cyber-attack, which may affect its operations as well as reputation. There is a risk that the collection, usage management of customer data is not consistent with regulatory obligations.	The Company has strategies and protections in place to mitigate security breaches and to protect data. The Company also has Cyber security insurance to mitigate potential financial losses.
People	The Company may lose key executives. The Company operates in a competitive environment in relation to attracting software development and technical personnel. The loss of key staff or the inability to attract personnel may adversely affect the Company's operations.	Identification of key people and the implementation of appropriate staff training as well as succession plans. The Company offers incentives and career development opportunities for key executives and senior management.
Product innovation and competition	Competitors may bring superior products or platforms to the market which may result in a loss of market share. Products and technologies developed by competitors may render the Company's product and platform obsolete or non-competitive.	The Company continuously monitors market developments and new products. HSC continues to invest in its platform development to improve its intellectual property and services.
Intellectual property infringement	HSC's Talius Platform has been developed in-house and the Company is exposed to the risk of its proprietary know-how being misappropriated and Competitors using this information to disrupt the Company's market share.	In addition to network and product security measures, there are contractual protections included in our customer agreements, and where necessary confidentiality agreements are in place with parties with access to our know-how.
Interruption to product supply	The Company imports a range of hardware products from overseas markets, and these suppliers may suffer materials shortages which may cause disruption and delays to the Company's operations and revenue generation. While all care is taken to contract with third parties that have appropriate expertise and experience, there are no guarantees that those third parties will perform as expected or required.	The Company works closely with customers and suppliers to identify supply requirements. The Company maintains an appropriate level of inventory as a buffer for supply chain interruptions. The Company keeps abreast of alternative suppliers for its hardware, should the need to change supplier arise.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within this financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Graham Russell
Managing Director

Dated this 30th day of August 2022

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF HSC TECHNOLOGY GROUP LTD

As lead auditor for the review of HSC Technology Group Ltd for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of HSC Technology Group Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T R Mann'.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 30 August 2022

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2022**



		Consolidated	
	Note s	June 2022 \$	June 2021 \$
Revenue from contracts with customers	3	2,212,820	1,827,104
Other income		206	452
Cost of sales		(944,707)	(1,184,243)
Amortisation and depreciation expenses		(87,506)	(179,590)
Consulting fees		(120,918)	(72,206)
Employee benefits expenses		(1,093,401)	(946,829)
Marketing expenses		(75,072)	(127,760)
Rental expenses		(5,376)	(4,232)
Share based payments	6	(108,714)	(118,833)
Net foreign exchange gains/(losses)		3,051	(73,702)
Other expenses		(349,933)	(204,802)
Loss before income tax		(569,550)	(1,084,641)
Income tax expense		-	-
Total loss for the period		(569,550)	(1,084,641)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities		12,924	5,322
Other comprehensive income/(loss) for the period		12,924	5,322
Total comprehensive loss for the period		(556,626)	(1,079,319)
Loss per share			
Basic and diluted loss (cents per share)		(0.03)	(0.05)

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**



		Consolidated	
	Notes	June 2022 \$	December 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,511,283	1,747,890
Trade and other receivables		1,000,716	667,653
Inventory	4	3,361,619	1,403,157
Other assets		579,821	584,463
Total current assets		<u>6,453,439</u>	<u>4,403,163</u>
Non-current assets			
Plant and equipment		45,243	17,656
Right-of-use assets		243,851	269,962
Intangible assets		16,340	52,860
Total non-current assets		<u>305,434</u>	<u>340,478</u>
Total assets		<u>6,758,873</u>	<u>4,743,641</u>
LIABILITIES			
Current liabilities			
Trade and other payables		1,599,968	670,767
Contract liabilities		329,222	267,870
Lease liabilities		71,234	63,290
Provisions		53,310	38,949
Total current liabilities		<u>2,053,734</u>	<u>1,040,876</u>
Non-current liabilities			
Lease liabilities		215,641	238,655
Total non-current liabilities		<u>215,641</u>	<u>238,655</u>
Total liabilities		<u>2,269,375</u>	<u>1,279,531</u>
Net assets		<u>4,489,498</u>	<u>3,464,110</u>
EQUITY			
Issued capital	5	17,678,423	16,205,123
Reserves	6	1,094,850	1,068,395
Accumulated losses		<u>(14,283,775)</u>	<u>(13,809,408)</u>
Total equity		<u>4,489,498</u>	<u>3,464,110</u>

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2022**



	Notes	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
Balance at 1 January 2021		15,985,123	(11,743,811)	1,791	1,107,532	5,350,635
Loss for the period		-	(1,084,641)	-	-	(1,084,641)
Other comprehensive income		-	-	5,322	-	5,322
Total comprehensive loss for the period		-	(1,084,641)	5,322	-	(1,079,319)
Transactions with owners, directly in equity						
Share based payments		-	-	-	118,833	118,833
Issue of share capital		145,000	-	-	(145,000)	-
Capital raising costs		-	-	-	-	-
Balance at 30 June 2021		16,130,123	(12,828,452)	7,113	1,081,365	4,390,149
Balance at 1 January 2022		16,205,123	(13,809,408)	(1,230)	1,069,625	3,464,110
Loss for the period		-	(569,550)	-	-	(569,550)
Other comprehensive income		-	-	12,924	-	12,924
Total comprehensive income/(loss) for the period		-	(569,550)	12,924	-	(556,626)
Transactions with owners, directly in equity						
Share based payments	6	-	-	-	108,715	108,715
Transfer of expired performance rights	6	-	92,396	-	(92,396)	-
Transfer of expired options	6	-	2,787	-	(2,787)	-
Issue of share capital	5	1,500,000	-	-	-	1,500,000
Capital raising costs	5	(26,700)	-	-	-	(26,700)
Balance at 30 June 2022		17,678,423	(14,283,775)	11,694	1,083,157	4,489,498

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2022**



		Consolidated	
	Note	June 2022 \$	June 2021 \$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		2,096,855	1,619,610
Interest received		206	405
Payments to suppliers and employees (GST inclusive)		(3,735,428)	(2,777,600)
Interest paid		(16,821)	(10,469)
Net cash used in operating activities		(1,655,188)	(1,168,054)
Cash flows from investing activities			
Payments for platform development expenditure		(8,000)	-
Purchase of plant and equipment		(31,649)	-
Net cash used in investing activities		(39,649)	-
Cash flows from financing activities			
Proceeds from issue of shares	5	1,500,000	-
Transaction costs relating to issue of shares	5	(26,700)	-
Repayment of lease liabilities		(15,070)	(22,442)
Net cash used in financing activities		1,458,230	(22,442)
Net decrease in cash held		(236,607)	(1,190,496)
Cash at the beginning of the financial period		1,747,890	4,457,264
Cash at the end of the financial period		1,511,283	3,266,768

The accompanying notes form part of this financial report.

1. Summary of significant accounting policies

Statement of Compliance

The consolidated half-year financial report for the half year reporting period ended 30 June 2022 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

The consolidated half-year financial report does not include all of the notes and information normally included in an annual financial report. Accordingly, this report should be read in conjunction with the consolidated annual financial report for the year ended 31 December 2021.

Basis of Preparation

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Annual Financial Report for the financial year ended 31 December 2021, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New accounting standards and interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The impact of adoption of new accounting standards and interpretations for the half year reporting period ended 30 June 2022 is not material to these financial statements.

The Group has chosen not to early adopt any accounting standards that have been issued but are not yet effective. The impact of accounting standards that have been issued, but are not yet effective, is not material to these financial statements.

Fair values of financial instruments

The fair values of the Group's financial instruments approximate their carrying values due to their short-term nature.

Going concern

For the period ended 30 June 2022, the Group incurred a loss of \$569,550 (2021: 1,084,641) and had cash outflows from operating activities of \$1,655,188 (2021: 1,168,054). As at 30 June 2022 the Group had cash reserves of \$1,511,283 and net current assets of \$4,399,705, which included trade and other payables of \$1,599,968 and inventory of \$3,361,619.

The Directors believe that the going concern basis of preparation is appropriate based on cash flow forecasts prepared which include the following assumptions:

- The ability to convert the 30 June 2022 unallocated project inventory balance of \$3,361,619 into future sales; and
- The ability to generate net cash inflows from operations from future contracts.

2. Segment Information

The Directors have considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments. All revenues and costs are handled centrally and management reviews financial information on a consolidated basis. On this basis it is considered that there is only one operating segment, the details of which are disclosed within this financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022



3. Revenue from contracts with customers

	Consolidated	
	June 2022	June 2021
	\$	\$
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from sale of goods and services is as follows:		
<i>Geographical regions</i>		
Australasia	2,212,820	1,827,104
<i>Timing of revenue recognition</i>		
Goods and services transferred at a point in time	1,231,526	1,475,443
Goods and services transferred over time	981,294	351,661
	<u>2,212,820</u>	<u>1,827,104</u>

4. Inventory

	Consolidated	
	June 2022	December 2021
	\$	\$
Total	<u>3,361,619</u>	<u>1,403,157</u>
	\$	
Balance at 1 January 2022	1,403,157	
Inventory Purchases	3,515,210	
Write back of Inventory Provision	20,000	
Cost of Goods Sold	<u>(1,576,748)</u>	
Balance at 30 June 2022	<u>3,361,619</u>	

To counteract supply chain challenges of longer lead times HSC has consciously invested in additional stock on hand to ensure continuity of supply to our clients and anticipated pipeline.

5. Issued Capital

Consolidated

	June 2022	December 2021
Ordinary shares – Fully paid ('FPO')	19,117,436	17,617,436
Capital raising costs	(1,439,013)	(1,412,313)
	<u>17,678,423</u>	<u>16,205,123</u>

a) Movements in ordinary shares on issue

	Number	\$
At 1 January 2022	1,972,739,337	16,205,123
Shares issued during the period		
- 3 March 2022 – Issue of Second Milestone Shares	50,000,000	-
- 9 June 2022 – Placement of 150,000,000 shares at \$0.01	150,000,000	1,500,000
At 30 June 2022	<u>2,172,739,337</u>	<u>17,705,123</u>
Less capital raising costs		<u>26,700</u>
		<u>17,678,423</u>

Second milestone shares issued to Homestay shareholders upon the Company generating revenue of \$6 million, 4 years from re-admission to the ASX.

6. Reserves

Consolidated

	June	December
	2022	2021
	\$	\$
Foreign currency translation	11,694	(1,230)
Share based payments	1,083,156	1,069,625
	<u>1,094,850</u>	<u>1,068,395</u>

Movements in reserves

Share based payments

Balance at the beginning of the reporting period	1,069,625	1,107,532
Options lapsed during the period	(2,787)	-
Expensing of performance rights issued in prior period	47,391	147,914
Performance right issued in during the period	61,323	34,179
Transfer of expired performance rights	(92,396)	-
Performance rights converted to shares during the period	-	(220,000)
Balance at the end of the period	<u>1,083,156</u>	<u>1,069,625</u>

Consolidated

	June	December
	2022	2021
	\$	\$
Foreign currency translation		
Balance at the beginning of the reporting period	(1,230)	1,791
Exchange differences on translating foreign controlled entities	12,924	(3,021)
Balance at the end of the period	<u>11,694</u>	<u>(1,230)</u>

(a) Share-based payments - options

A summary of the movements of all options issues is as follows:

	Number
Options outstanding as at 1 January 2022	<u>100,000,000</u>
Options lapsed during the period ⁽¹⁾	(2,000,000)
Options outstanding as at 30 June 2022	<u>98,000,000</u>

⁽¹⁾ On 4 February 2022, 2,000,000 options lapsed due to them not being exercised. This resulted in a transfer of \$2,787 for the half-year ended 30 June 2022 from reserves to accumulated losses.

(b) Share-based payments – performance rights “PRs”

A summary of the movements of all performance rights issues is as follows:

	Number
Performance rights outstanding as at 1 January 2022	41,000,000
Granted on 22 March 2022 ⁽¹⁾	13,900,000
Granted on 19 May 2022 ⁽²⁾	40,000,000
Lapsed on 15 June 2022 ⁽³⁾	(21,000,000)
Performance rights outstanding as at 30 June 2022⁽⁴⁾	<u>73,900,000</u>

⁽¹⁾ On 22 March 2022, the Company granted 13,000,000 performance rights to Employees, for nil cash consideration. Performance rights will vest subject to employment continuity. Total fair value of \$141,745 to be recognised as share-based payments across the vesting period. The fair value recognised as share-based payments expense in the profit or loss for the half-year ended 30 June 2022 is \$20,364.

On 22 March 2022, the Company granted 900,000 performance rights to a contractor as part of remuneration, for nil cash consideration. Total fair value of \$9,812 to be recognised as share-based payments across the vesting period. The fair value recognised as share-based payments expense in the profit or loss for the half-year ended 30 June 2022 is \$6,057.

⁽²⁾ On 19 May 2022, the Company, with the approval of shareholders granted 40,000,000 performance rights to Directors, for nil cash consideration. 24,000,000 of the performance rights will vest subject to employment continuity and the further 16,000,000 will vest subject to the attainment of certain share price values, together with employment continuity. Total fair value of \$379,556 to be recognised as share-based payments across the vesting period. The fair value recognised as share-based payments expense in the profit or loss for the half-year ended 30 June 2022 is \$34,902.

⁽³⁾ On 15 June 2022, 21,000,000 performance rights lapsed due to vesting conditions not being met. This resulted in a transfer of \$92,396 from reserves to accumulated losses as the rights had expired.

⁽⁴⁾ As at 30 June 2022, 20,000,000 performance rights have vested and are exercisable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2022



AASB 2 Share-based Payment, the expense is recognised over the vesting period. The performance rights have been valued at the share price of the Company on grant date. The fair value inputs included in the performance right valuations granted during the year were as follows:

No. of PRs	Grant date	Expiry date	Exercise Price	Share price at grant date	Risk free rate	Volatility	Methodology used
1,000,000	22-Mar-22	31-Dec-25	nil	\$0.0110	1.71%	80%	Black Scholes
3,000,000	22-Mar-22	31-Dec-26	nil	\$0.0110	1.71%	80%	Black Scholes
3,000,000	22-Mar-22	31-Dec-27	nil	\$0.0110	1.71%	80%	Black Scholes
3,000,000	22-Mar-22	31-Dec-26	nil	\$0.0110	1.71%	80%	Black Scholes
3,000,000	22-Mar-22	31-Dec-27	nil	\$0.0110	1.71%	80%	Black Scholes
900,000	22-Mar-22	30-Sep-22	nil	\$0.0110	1.71%	80%	Black Scholes
4,000,000	19-May-22	31-Dec-25	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
8,000,000	19-May-22	31-Dec-26	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
8,000,000	19-May-22	31-May-27	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
3,000,000	19-May-22	31-Dec-25	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
3,000,000	19-May-22	31-Dec-26	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
4,000,000	19-May-22	31-May-27	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
3,000,000	19-May-22	31-Dec-25	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
3,000,000	19-May-22	31-Dec-26	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes
4,000,000	19-May-22	31-May-27	\$ 0.0001	\$0.0120	1.70%	80%	Black Scholes

Total share based payments recognised in the statement of profit or loss and other comprehensive income during the half-year ended 30 June 2022:

	\$
15,000,000 performance rights granted to the Directors on 15 June 2020	7,504
10,000,000 performance rights granted to the Advisory Board on 2 November 2020	14,670
6,000,000 performance rights granted to the Directors on 20 May 2021	25,217
40,000,000 performance rights granted to Employees on 22 March 2022	20,364
900,000 performance rights granted to a Supplier on 22 March 2022	6,057
40,000,000 performance rights granted to the Directors on 19 May 2022	34,902
	<u>108,714</u>

7. Events after the Reporting Period

The directors are not aware of any other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

8. Contingent liabilities

There have been no material changes to the consolidated entity's contingent liabilities since 31 December 2021.

9. Commitments

There have been no material changes to the consolidated entity's capital or other expenditure commitments since 31 December 2021.

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the financial statements and notes, as set out in the financial report:
 - a) comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the half-year ended on that date of the consolidated entity;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of the directors made pursuant to s303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'G Russell', written over a horizontal line.

Graham Russell
Managing Director

Dated this 30th day of August 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HSC Technology Group Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of HSC Technology Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in dark ink, appearing to read 'T R Mann', is written over a faint, light-colored BDO logo.

T R Mann
Director

Brisbane, 30 August 2022