

30 April 2020

ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT

Highlights

*Revenue achieved for third quarter of \$3.318m, compared to the same quarter in 2019 of \$2.362m – a 40% improvement.

*Increased Gross Margin 22% for the March 2020 quarter compared to 17% from half year ended 31 December 2019.

*Further reduction in Expense Ratios, achieved 11% to sales for the March 2020 quarter compared to 15% for half year ended 31 December 2019.

*Increased inventory from \$766,00 to \$1.44m to meet surging demand due to home working/schooling as a result of the COVID-19 pandemic.

*Secured loan from CEO to assist funding further business expansion.

*HT's (Harris Technology) long term (30+ years) reputation has allowed our online business to expand with strong support from the market leading e-commerce platforms.

* The Company had achieved a year-to-date operating profit at 31 March 2020. The directors expect the Company will record an operating profit for the year ended 30 June 2020.

Online IT and CE (Consumer Electronics) goods vendor – Harris Technology Group Limited (ASX:HT8) is pleased to provide its quarterly report for the period ended 31 March 2020.

Operations Update

The transformation of the Company into solely an online sales platform has been completed. Over the last quarter, the Company has:

- made almost all of its sales online;
- successful cooperation with major online platforms such as Amazon, Kogan, Catch and eBay;
- recruited specialist channel personnel to drive sales and assist in product development;
- reduced operating expenses by consolidating into one location and reducing personnel to 15FTE's; and
- sold most of the remaining inventory from the sale of its Anyware subsidiary.

Corporate Update

The first quarter of calendar year 2020 has presented a number of unprecedented challenges for the Company. The COVID-19 lock down on one hand has presented sales opportunities. On the other hand, supply of product to satisfy increasing demand has required astute buying and a strong understanding of global markets and managing the supply chain. Our senior executive team have been actively involved in ensuring adequate supply of key IT products to meet the challenges of this first quarter.

Financial Update

Sales for the March quarter were significantly higher than previous quarters at \$3.318 million. Indications are this increased level of sales will continue as more and more customers will be accustomed to shop online. The growth has required the directors to add tolerance level to its cash requirements.

As detailed in the Appendix 4C released today, the CEO of the Company has agreed to provide funding in addition to existing loans.

As at 31 March 2020, the Company had achieved a year-to-date operating profit. The directors expect the Company will record an operating profit for the year ended 30 June 2020, a major turnaround from the losses of previous years. The extent of the profit is not able to be definitively quantified as yet, especially as sales revenue for the new Pro-Hygiene products in May and June is uncertain. HT8 will update the market upon greater certainty being achieved.

Sales of remaining stock from the Anyware divestment transaction have also boosted operating profit for this reporting period.

Expense ratios to overall sales continue to improve as a result of the consolidation into one office/warehouse and the reduction in personnel. This has had a direct beneficial result on the Company's profitability.

Outlook and Future Activities

The June 2020 quarter is expected to continue with an increased revenue and improved margins as compared to previous quarters.

Relationships with major online partners are continuing to develop strongly which has a direct beneficial effect on overall sales.

The Company has been successful in dealing with its suppliers to secure the latest IT hardware such as monitors, webcams and headsets to satisfy the demand from its online customers. The directors are confident sufficient supply of the IT and CE products will be maintained.

On the 17th April 2020, the Company announced the start-up of specialist division of Pro-Hygiene. Sales and opportunities are developing and the Company will update the market with material developments.

Related party payments

Section 6 of the appendix 4C released today discloses payments to related parties of \$19,000. These payments were non-executive director fees.

The release of this announcement was authorised by the Company's Chairman on behalf of the HT8 Board.

Andrew Plympton
Chairman

APPENDIX 4C QUARTERLY CASH FLOW REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B

Name of entity

Harris Technology Group Ltd

ABN

93 085 545 973

Quarter ended ("current quarter")

31st March 2020

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	3,074	7,852
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,164)	(7,333)
(c) advertising and marketing	(26)	(107)
(d) leased assets		
(e) staff costs	(183)	(531)
(f) administration and corporate costs	(60)	(493)
1.3 Dividends received (see note 3)		
1.4 Interest received		2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(23)	(137)
1.9 Net cash from / (used in) operating activities	(383)	(747)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
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		31
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		50
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		81

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		(152)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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		(152)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	573	1008
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(383)	(747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		81
4.4	Net cash from / (used in) financing activities (item 3.10 above)		(152)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	190	190

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	190	573
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	190	573

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	(19)
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.</i>		
	<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	4,055	3,700
7.2	Credit standby arrangements	1,000	0
7.3	Other (please specify)	900	900
7.4	Total financing facilities	5,955	4,600

7.5	Unused financing facilities available at quarter end	1,355
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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.

1. Loan of \$3,545,056 from CEO. The loan is interest-free, unsecured and no specified maturity date.
2. Loan of \$500,000 from CEO. The loan is interest-free, unsecured and repayable in instalments of \$20,000 per fortnight. The amount drawn down at the date of this Appendix 4C is \$155,000.
3. A loan facility of up to \$1 million from CEO. The loan is interest-free, unsecured and is to be repaid on 31 December 2021. Currently undrawn.
4. Loan of \$900,000 at call from She- Mei Chang at the interest rate of 2.5%pa, unsecured.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(383)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	190
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,355
8.4	Total available funding (Item 8.2 + Item 8.3)	1,545
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.03

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:

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:

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:

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:30/04/2020.....

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.