

27 January 2022

Quarterly Activity Report – December 2021

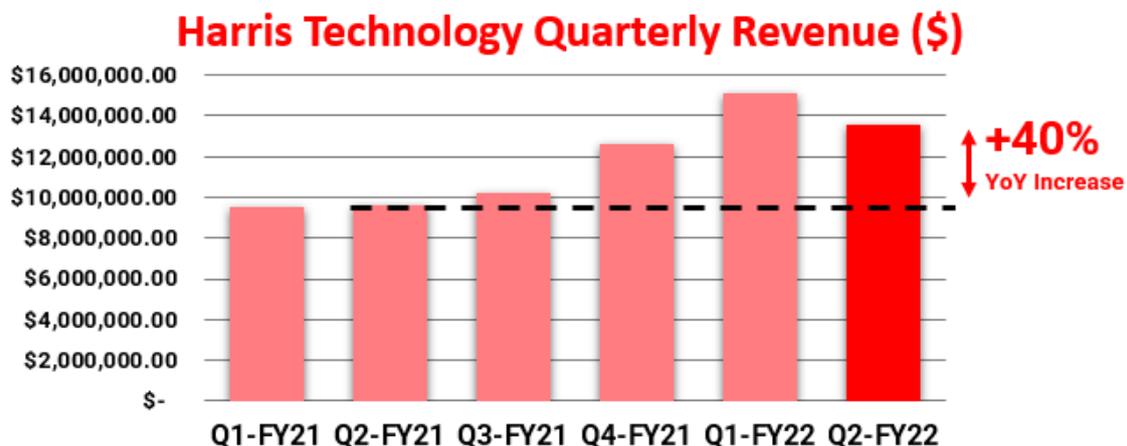
Highlights:

- Q2 sales of \$13.4M (unaudited) compared to previous corresponding period of \$9.6M – 40% YoY growth.
- Harris Technology has maintained its Number 1 seller ranking on Amazon AU and achieved 100% positive customer reviews again in recent months.
- Encouraging results from trial of Household Products category.
- Warehouse upgrade completed to consolidate three smaller warehouses into one larger complex facilitating greater inventory capacity and improved operational efficiency.
- During Q2 a drive to liquidate aging inventory was made to focus on higher margin products.

Pure-Play IT and Consumer Electronics online retailer Harris Technology Group Limited (ASX: HT8) is pleased to provide its activity report for the December 2021 quarter.

Operations Update

Harris Technology generated \$13.4M* sales revenue for the quarter which represented a 40% increase on the previous year's corresponding quarter and taking YTD revenue to \$28.5M.



The December 2021 quarter included major retail events including Black Friday, Cyber Monday, Christmas and Boxing Day sales, during which marketplace sales were in line with our expectations. Throughout the period, Harris Technology maintained its Number 1 ranked seller rating on Amazon AU with 100% positive feedback over the past 12 months.

Harris Technology completed its consolidation of its three smaller warehouses into a single larger facility at 124 Abbott Road, Hallam, Victoria. The upgrade has increased Harris Technology's inventory capacity by 50% and will improve logistical efficiencies going forward.

Using the new warehouse capacity, Harris Technology conducted an online retail trail of Household and Christmas products through its marketplace stores in order to expand its product categories where margins are healthy. These have included tools, toys, cleaning, gardening, and pet products. The results have been encouraging. In collaboration with Australia based importers, leveraging its knowledge and experience in eCommerce, Harris Technology will continue to explore the expansion of the Household Products category in 2022.

Inventory Update

As part of the warehouse consolidation, Harris Technology used the relocation as an opportunity to liquidate aging inventory. This resulted in some products being discounted to clearance prices.

On 31 December 2021, inventory on hand was \$11.6M representing an 8% decrease from the \$12.6M as of 30 September 2021.

Expenditure incurred during the quarter

Expenditure Category	Amount \$
Purchase of Inventory	15,390,000
Advertising	1,000
Staff Administrative and Corporate Costs	563,000

Cash Flow

Harris Technology recorded \$2.3M in outgoing cash flow from operating activities. The cash outflow is consistent with higher working capital requirements during the peak trading season and the Company expects to show a positive cash inflow in the next quarter.

Cash on hand was \$2.1M at 31 December 2021.

Harris Technology CEO, Garrison Huang commented, "We have delivered \$28.5 million in sales for the first half year compared to the same time last year of \$19.4 million. The consolidation of three smaller warehouses into one large complex has positioned Harris Technology to build on the momentum built since pivoting to a pure-play online retailer.

"As part of the facilities upgrade, we have cleared a good proportion of aging inventory thus enabling us to focus on new and better performing products. Stock and margin continue to be an area of attention for us. The company has also increased its M2C (Manufacturer-to-Customer) business with more direct imports being added to our product portfolio."

“While the holiday season delivered strong sales from our flagship technology and consumer electronics categories, we have also witnessed encouraging results from our Household Products trial. This is a product category that Harris Technology is able to utilise its eCommerce expertise, adding to its offering and enhancing its margin mix.”

*All FY2022 financial data quoted is unaudited.

Harris Technology welcomes investors to join the HT8 investor mailing list for Company updates, industry research and investor discounts by subscribing at:
<http://ht8.com.au/subscribe>.

For more information, contact:
Garrison Huang
info@ht.com.au

This announcement has been authorised for ASX release by HT8 Chairman, Alan Sparks.

About Harris Technology Group Limited

Harris Technology Group Limited is a publicly listed company on the Australia Securities Exchange (ASX code: HT8). The Company's main business is the eCommerce business of Harris Technology (HT) – www.ht.com.au. Harris Technology is a well-known brand with a 30+ year history in IT/CE retail market covering a very wide range of IT products for small and medium businesses in Australia. Harris Technology was previously owned by Officeworks under Wesfarmers and prior to this, it was owned by Coles Myer Group. Harris Technology no longer operates any physical shopfronts – all businesses of Harris Technology are conducted online both on www.ht.com.au and via the major online platforms such as Amazon, Kogan, Catch and eBay etc.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Harris Technology Group Limited

ABN

93 085 545 973

Quarter ended ("current quarter")

31st December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...6...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	13,660	29,482
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(15,390)	(29,939)
(c) advertising and marketing	(1)	(6)
(d) leased assets		
(e) staff costs	(475)	(1,023)
(f) administration and corporate costs	(88)	(306)
1.3 Dividends received (see note 3)		
1.4 Interest received		
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)		
1.9 Net cash from / (used in) operating activities	(2,294)	(1,792)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(99)	(99)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...6....months) \$A'000
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	(99)	(99)

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	1,050	1,050
3.6 Repayment of borrowings	(97)	(352)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		20
3.10 Net cash from / (used in) financing activities	953	718

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,529	3,262
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,294)	(1,792)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(99)	(99)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...6...months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	953	718
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,089	2,089

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	2,089	3,529
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)	2,089	3,529

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	(32)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>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.</i></p> <p><i>Notes:</i></p> <p>6.1 <i>Director Fees and Company Secretary Fees</i></p>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	1,675	1,675
7.2 Credit standby arrangements	2,350	1,050
7.3 Other (please specify)	272	272
7.4 Total financing facilities	4,297	2,997
7.5 Unused financing facilities available at quarter end		1,300
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.		
<ol style="list-style-type: none"> 1. Loan of \$1,675,329 from MD/CEO. The loan is 3% annual interest effective from January 2021, unsecured and no specified maturity date and repayable in instalments of \$20,000 per fortnight. 2. A loan facility of up to \$1.5 million from MD/CEO. The loan is 3% annual interest, unsecured and expires on 31 December 2022. The amount currently drawn – \$1,050,000 3. \$850,000/- Unlock / The Marketlend facility will be secured by a PPSR charge, available at the interest rate of 1.5% for 30 days. 2.75% for 60 days or Over 90 days 4%. The amount current drawn - NIL 4. Loan of \$271,996 from Shu-Mei Chang at the interest rate of 2.5% annually. The loan is unsecured. The loan is repayable in monthly instalments which will fully amortise the loan by May 2022 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,294)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,089
8.3 Unused finance facilities available at quarter end (item 7.5)	1,300
8.4 Total available funding (item 8.2 + item 8.3)	3,389
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	(1.5)
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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?	
<p>Answer: It is expected that the entity will not have the same level of negative cash flow as the past quarter is the high trading season and historically the highest cash usage period</p>	

8.6.2 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: It is not envisaged that the company will need to raise further cash in the medium term as cash flow in the next periods is expected to be positive or flat

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The company expects to continue its operations and to meet its business objectives as inventory levels will decline and sales are expected to continue to plan

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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:27-01-2022.....

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 – 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.