Pine Care Group Limited
松齡護老集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1989)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS:

- Revenue increased by 13.0% to HK$245.7 million
- Operating profit for the year increased by 84.9% to HK$41.1 million
- Profit for the year decreased by 76.3% to HK$3.2 million
- Core EBITDA before excluding the effect of adoption of HKFRS 16 increased by 38.7% to HK$89.6 million. By excluding the effect of adoption of HKFRS 16, Core EBITDA increased by 65.1% to HK$53.8 million

Notes: "EBITDA" represents earnings before interest, tax, depreciation and amortisation.

"Core EBITDA" represents EBITDA before share of depreciation and interest of a joint venture, other income and gains and non-recurring government grant for Employment Support Scheme, excluding the effect of adoption of HKFRS 16 on property rental and related expenses.

The board of directors (the "**Board**") of Pine Care Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2021 ("**FY2021**"), together with the comparative figures for the year ended 31 March 2020 ("**FY2020**").

CHAIRMAN'S STATEMENT

A Turbulent but Successful Year

The past year has been a deeply challenging one for many industries, including our own, but I am pleased to report that, despite all the hardships, our core business remains strong with an average occupancy rate of 94.0% for FY2021 compared to 93.6% for FY2020.

Excluding the effect of our adoption of the Hong Kong Financial Reporting Standard ("**HKFRS**") 16 Leases, our core EBITDA for the year was HK$53.8 million — a year-on-year growth of approximately 65.1%.

Our growth was mainly driven by the increase in revenue from our eight EA1 care and attention homes; Pine Care Place, our luxury residential care home for the elderly ("**RCHE**") in Yoho Mall, Yuen Long; and Pine Care Point, our luxury RCHE specialising in dementia care in Shek Kip Mei.

Securing our Reputation for Quality

Overall, I am delighted to say that we are making great strides in the upscale segment. Now into its third operational year, Pine Care Place has not only reached profitability, but has also secured its reputation for quality in the upscale segment.

Buoyed by this success, we are also confident of increasing the occupancy at Pine Care Point at an even quicker pace once the COVID situation stabilises. We believe that the demand for quality dementia care is seriously underserved in Hong Kong and we are perfectly positioned to capitalise on this opportunity. We have also extended our multidisciplinary care service offerings to our residents to meet their specific needs.

Gaining Momentum in Daycare

We are gaining considerable momentum with our daycare services. Our first daycare centre at Pine Care Place in Yoho Mall was well received and has been a great success. The 20 daycare places were filled at the moment they became available in June 2020. We now plan to launch our second daycare centre at Pine Care Point with 35 places in late 2021.

A Unique New Senior Community

In terms of our expansion, we have entered into a tenancy agreement for the lobby on ground floor and the front (or southern) portion of the first, second and third floors of No. 1 Leighton Road, Causeway Bay, Hong Kong — a total floor area of approximately 35,400 square feet.

With this space, we plan to establish and operate an upscale and gerontechnology-enabled, state of the art residential community for the seniors with a wide range of services covering EA1 *(Note)*, affordable luxury and upscale residential care. Medical and professional nursing support will be delivered by a multidisciplinary team including, but not limited to, nurses, social workers, occupational therapists and physiotherapists.

The community enjoys a prime location on Hong Kong Island, within 10-minutes drive of five of Hong Kong's leading private and public hospitals. It will be staffed by health care professionals using a variety of advanced gerontology methods and technology to ensure the highest standard of geriatric care and well-being for the residents.

This unique concept in advanced senior care is in line with the Group's expansion strategies and we hope it will make a positive impact on the Group's branding, as well as providing the finest and most comprehensive care for the residents.

Note:

"Enhanced Bought Place Scheme" or "EBPS": the scheme under which the Social Welfare Department (the "**SWD**") of the Government of the Hong Kong Special Administrative Region (the "**Government**") has purchased residential care places (beds) from private homes for the elderly since 1998, with a view to upgrading the service standard of these homes through enhanced service requirements in terms of staffing and space standards. This also helps to increase the supply of subsidised places so as to reduce elderly's waiting time for subsidised care and attention home places. Elderly homes under the EBPS are split into two categories, namely EA1 and EA2, with different space standards and staffing requirements.

"EA1": one of the two categories under the EBPS. EA1 homes have higher requirements in terms of staffing and per capita net floor area as compared to EA2 homes. As required under the EBPS, the staffing requirement for an EA1 home with 40 places is 21.5, calculated on the basis of eight working hours per staff per day, including relief staff, and its per capita net floor area are 9.5 square metres.

Rebalancing and Rejuvenating

Moving forward, we will be redoubling our efforts with regard to training and development and strategically strengthening our manpower pipeline for upcoming developments.

Among these developments, we are currently in the process of exploring an asset light model that will enable us to replicate our business for different market segments at a faster pace. We plan to extend our footsteps in the Greater Bay Area, while continue to explore opportunities in Hong Kong to strengthen our position in the industry.

Apart from leveraging our current resources to create sustainable long term value for our shareholders and promoting the quality standard and development of the senior care industry with more innovative initiatives, we also aim to serve a wider spectrum of customers with a greater range of service offerings.

These include the active seniors currently being served by our integrated wellness hub for independent living at Patina Wellness, in Kowloon City; the expansion of our day care facilities; enhanced respite care and a wider range of residential care to encompass different age groups both in Hong Kong and the Greater Bay Area.

Tang Yiu Sing
Chairman

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 March 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
REVENUE	*4*	**245,706**	217,363
Other income and gains	*4*	**477**	476
Amortisation		**(3,093)**	(3,093)
Depreciation		**(56,841)**	(33,689)
Staff costs		**(88,328)**	(99,524)
Property rental and related expenses		**(6,906)**	(6,620)
Food and beverage costs		**(9,561)**	(8,471)
Utility expenses		**(6,893)**	(7,095)
Supplies and consumables		**(7,565)**	(6,724)
Repair and maintenance		**(3,151)**	(2,732)
Multidisciplinary fees and related expenses		**(10,189)**	(12,223)
Hygienic and cleaning expenses		**(1,270)**	(1,235)
Other operating expenses		**(11,323)**	(14,224)
OPERATING PROFIT		**41,063**	22,209
Finance costs		**(14,543)**	(4,764)
Share of loss of a joint venture		**(15,838)**	(323)
PROFIT BEFORE TAX	*5*	**10,682**	17,122
Income tax expenses	*6*	**(7,468)**	(3,546)
PROFIT FOR THE YEAR		**3,214**	13,576
Attributable to:			
Owners of the parent		**5,860**	13,584
Non-controlling interests		**(2,646)**	(8)
		3,214	13,576
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK0.6 cent**	HK1.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	2021 *HK$'000*	2020 *HK$'000*
PROFIT FOR THE YEAR	**3,214**	13,576
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations attributable to non-controlling interests and others	**226**	841
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**236**	(763)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**462**	78
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,676**	13,654
Attributable to:		
Owners of the parent	**6,096**	14,129
Non-controlling interests	**(2,420)**	(475)
	3,676	13,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2021

	Note	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**772,663**	819,278
Intangible assets		**3,093**	6,185
Investment in a joint venture		**5,565**	21,403
Prepayments, other receivables and other assets		**6,899**	6,808
Goodwill	*10*	**33,833**	33,833
Investment in insurance contract		**3,261**	3,143
Deferred tax assets		**6,222**	6,200
Total non-current assets		**831,536**	896,850
CURRENT ASSETS			
Due from a joint venture		**21,976**	8,921
Trade receivables	*9*	**6,708**	5,521
Tax recoverable		**1,226**	1,389
Prepayments, other receivables and other assets		**15,901**	2,930
Cash and cash equivalents		**49,687**	27,767
Total current assets		**95,498**	46,528
CURRENT LIABILITIES			
Trade payables	*11*	**2,426**	2,029
Other payables and accruals		**15,592**	18,977
Interest-bearing bank borrowings		**84,648**	408,574
Lease liabilities		**25,837**	20,877
Tax payable		**7,130**	5,521
Total current liabilities		**135,633**	455,978
NET CURRENT LIABILITIES		**(40,135)**	(409,450)
TOTAL ASSETS LESS CURRENT LIABILITIES		**791,401**	487,400

	Note	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**518,287**	190,677
Lease liabilities		**50,243**	70,817
Provision for long service payments		**5,444**	5,044
Deferred tax liabilities		**13,240**	14,211
Total non-current liabilities		**587,214**	280,749
Net assets		**204,187**	206,651
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*12*	**9,029**	9,029
Reserves		**191,180**	191,224
		200,209	200,253
Non-controlling interests		**3,978**	6,398
Total equity		**204,187**	206,651

NOTES

1. CORPORATE AND GROUP INFORMATION

Pine Care Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is G/F, 1 Koon Wah Lane, 68–72 Yuk Wah Street, Tsz Wan Shan, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively the "**Group**") are principally engaged in the provision of elderly home care services.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 February 2017.

2.1 BASIS OF PRESENTATION

As at 31 March 2020, the Group's current liabilities exceeded its current assets by HK$409.4 million primarily due to the classification of a term loan of HK$346.5 million ("**Term Loan**") as current liability resulting from the breach of a loan covenant ("**First Covenant**") following the change of the controlling shareholder of the Company during February 2020. Subsequently in April 2020, the Group failed to comply with a second covenant ("**Second Covenant**") of the Term Loan following the suspension of the trading of the Company's shares due to insufficient public float for more than 14 consecutive trading days. The lending bank of the Term Loan subsequently revised the Loan facility letter in June 2020 which replaced the First Covenant with a new covenant that Mr. Tang Yiu Sing, Chairman of the Company, shall remain as the largest single shareholder of the Group as well as to maintain control over the management and business of the Group. On 12 October 2020, with the resumption of trading in the shares of the Company, both First and Second Covenant breaches were remediated and the Term Loan has been reclassified to non-current liability according to its contractual maturity.

As at 31 March 2021, the Group's current liabilities exceeded its current assets by HK$40.1 million. Included in its current liabilities were mainly lease liabilities of HK$25.8 million and interest-bearing borrowings of HK$84.6 million which included revolving bank loan facilities of HK$39.95 million and a bank loan of HK$9.6 million which is not contractually due within the next twelve months from 31 March 2021 but classified as current liability due to the bank's overriding rights to demand repayment.

In preparing the consolidated financial statements, the Directors have given careful consideration of the liquidity and performance of the Group, various investments and capital expenditure plans and the available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management which covers a period of twelve months to 31 March 2022. The Directors have taken into account of the following considerations in assessing the sufficiency of working capital requirements for the next twelve months:

1. the cash flows generated from its operations;

2. the expected roll over of revolving bank loan facilities of HK$39.95 million with similar terms and the loan of HK$9.6 million will be paid according to the contractual repayment schedule; and

3. the availability of new banking facilities and unutilised credit facilities of the Group.

Based on the cash flow projections and taking into account reasonably possible downside changes to the cash flow assumptions in the cash flow projections for the twelve months ending 31 March 2022, the expected completion of new banking facilities and the continuous availability of existing banking facilities, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2021. Accordingly, the Directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment in insurance contract which has been measured at cash surrender value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

(a) Amendments to standards effective in the current accounting period

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform — Phase 1
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

(b) Early adoption of amendment to standards

The Group has early adopted Amendment to HKFRS 16 "COVID-19 Related Rent Concessions" from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The early adoption of the amendment does not have any effect on the results and financial position of the Group.

(c) New standards, amendments to standards and interpretations not yet effective and have not been early adopted by the Group.

The following new standard, amendments to standards and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 April 2021 and have not been early adopted by the Group:

HKFRS 17	Insurance Contracts(3)
HKFRS 3 (Amendments)	Reference to the Conceptual Framework(5)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(4)
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current(3)
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use(2)
HKAS 37 (Amendments)	Onerous Contract — Cost of Fulfilling a Contract(2)
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform Phase 2(1)
Annual Improvements	Annual Improvement to HKFRSs 2018–2020 Cycle(2)
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations(2)
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause(3)

(1) Effective for annual periods beginning on or after 1 January 2021
(2) Effective for annual periods beginning on or after 1 January 2022
(3) Effective for annual periods beginning on or after 1 January 2023
(4) Effective date is to be determined
(5) Effective for business combination for which the acquisition date is on or after the beginning of the fist accounting periods beginning on or after 1 January 2022

The Group has already commenced an assessment of the impact of these new standard and amendments to standards and does not expect that they would have any significant impact on its results and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the provision of elderly home care services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue was derived primarily from its operations in Hong Kong during the year and the non-current assets of the Group were mainly located in Hong Kong as at 31 March 2021 and 2020.

Information about a major customer

Revenue of HK$109,747,000 (2020: HK$100,152,000) was derived from the Hong Kong Government under the Enhanced Bought Place Scheme of HK$107,915,000 (2020: HK$100,152,000), and the provision of care support services and necessities to persons in decanting centre of HK$1,832,000 (2020: Nil), which amounted to more than 10% of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Rendering of elderly home care services	**206,458**	182,962
Sale of elderly home related goods	**26,972**	23,878
Provision of health care services	**12,276**	10,523
	245,706	217,363
Other income		
Bank interest income	**1**	1
Rental income	**358**	389
	359	390
Gains		
Change in cash surrender value of insurance contract	**118**	60
Others	**–**	26
	118	86
	477	476

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021 *HK$'000*	2020 *HK$'000*
Cost of goods and consumables sold	**17,126**	15,195
Depreciation on owned assets	**15,285**	8,449
Depreciation on right-of-use assets — land	**18,644**	18,644
Depreciation on right-of-use assets — buildings	**22,912**	21,729
	56,841	48,822
Amortisation	**3,093**	3,093
Less: Amount capitalised	**–**	(15,133)
	59,934	36,782
Auditor's remuneration	**1,150**	1,390
Staff costs:		
Wages and salaries	**110,871**	104,049
Pension scheme contributions	**4,147**	3,667
Provision for long service payments	**399**	1,444
Directors' remuneration	**1,083**	1,588
	116,500	110,748
Net of:		
Government grants#	**(28,172)**	(11,224)
	88,328	99,524
Lease payments not included in the measurement of lease liabilities	**–**	241

\# Various government grants have been received for the welfare of the elderly in the Group's elderly home care centres and Employment Support Scheme under the Anti-epidemic Fund. There are no unfulfilled conditions or contingencies relating to these grants.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	2021 *HK$'000*	2020 *HK$'000*
Current — Hong Kong		
Charge for the year	**8,384**	5,214
Underprovision in prior years	**77**	40
Deferred	**(993)**	(1,708)
Total tax charge for the year	**7,468**	3,546

7. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Interim dividends — Nil (2020: HK0.78 cent) per ordinary share	**–**	7,042
Proposed final dividend — Nil (2020: HK0.68 cent) per ordinary share	**–**	6,140

No final dividend (2020: HK0.68 cent per ordinary share) was proposed by the board of directors of the Company.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to the ordinary equity holders of the Company of HK$5,860,000 (2020: HK$13,584,000), and the weighted average number of ordinary shares of 902,880,000 (2020: 902,880,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these years.

9. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**6,708**	5,521

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one month	**3,062**	2,792
One to two months	**2,770**	2,337
Two to three months	**266**	290
Over three months	**610**	102
	6,708	5,521

The financial impact of expected credit losses for trade receivables under HKFRS 9 is insignificant for the years ended 31 March 2021 and 2020.

10. GOODWILL

	2021	2020
	HK$'000	*HK$'000*
Cost	**33,833**	33,833
Accumulated impairment	**–**	–
Net carrying amount	**33,833**	33,833

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one month	**2,426**	2,029

The trade payables are non-interest-bearing and generally have payment terms of 30 days.

12. SHARE CAPITAL

	2021	2020
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
902,880,000 ordinary shares of HK$0.01 each	**9,029**	9,029

There were no movements in the Company's share capital during the current and prior years.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 10 May 2021, Pine Care Titanium Limited ("**Titanium**"), a wholly owned subsidiary of the Company, entered into the subscription agreement with ETS Group Limited ("**ETS**"), a related company of the Group principally engaged in the business of providing comprehensive multi-media contact centre services, contact centre system and financial services, to subscribe for the zero coupon convertible bonds ("**CB**") of ETS for the principal amount of HK$9.5 million due two years from the date of issue. Upon full conversion of the CB at the conversion price of HK$0.608, a total of 15,625,000 shares of ETS will be allotted and issued to Titanium, representing approximately 5.29% of the issued share capital of ETS as enlarged by the issue of the shares. For details, please refer to the announcement of the Company dated 10 May 2021.

On 21 May 2021, Elegant Dear Limited (an indirectly wholly-owned subsidiary of the Company) entered into a lease agreement with a third party in respect of the leasing of the lobby on ground floor and the front (or southern) portion of the first, second and third floors of No. 1 Leighton Road, Causeway Bay, Hong Kong for use as the operation of care and attention home for the elderly or other related lawful commercial uses by the Group commencing from 7 August 2021 and expiring on 6 August 2025 (both days inclusive) at the rent of HK$1.7 million per month with certain renewal options upon the expiry of the four years fixed term.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

The Group's business in Hong Kong mainly comprises of eight EA1 care and attention homes and two newly developed RCHEs, the upscale RCHE, Pine Care Place, and RCHE specialising in dementia care, Pine Care Point.

The Group's revenue was mainly generated from (i) rendering elderly home care services including the provision of residence, professional nursing and care taking services, nutritional management, medical services, psychological and social care, and individual care plans; and (ii) sale of elderly home related goods and provision of health care services, in Hong Kong.

Total revenue delivered a year-on-year increase of approximately 13.0% to HK$245.7 million in FY2021 from HK$217.4 million in FY2020. The increase was mainly due to the combined effects of (i) the increase in average monthly residential fee of our eight EA1 care and attention homes; (ii) ramp-up in the occupancy rate of Pine Care Place; and (iii) full year impact of operation of Pine Care Point.

Pine Care Place has entered into its third operational year with occupancy rate as at 31 March 2021 surged to 80.9% as compared to 38.2% as at 31 March 2020, which contributed to the increase of revenue to HK$20.3 million in FY2021 from HK$11.9 million in FY2020.

As for Pine Care Point, its revenue increased to HK$9.0 million in FY2021 from HK$0.3 million in FY2020 due to full year impact of operation. Occupancy rate as at 31 March 2021 approximated to 24.2%. It is expected the occupancy at Pine Care Point will increase at a quicker pace once COVID situation stabilises.

For the Group's investment in a joint venture, Patina Wellness Limited, in which the Group holds 51% of its equity interest, the performance of its operation, Patina Wellness, had been temporarily affected by the COVID situation at the early stage of operation, and led to a share of operating loss before interests and depreciation (excluding the impact of adoption of HKFRS 16 on its property rental and related expenses) at HK$6.8 million.

Momentum is gradually picking up in the last quarter of this financial year with its occupancy rate as at 31 March 2021 approximated to 74.7%. The management team of Patina Wellness is also exploring to leverage the established brand and expertise of Patina Wellness for providing management services to external parties, including property owners in Hong Kong and the Greater Bay Area.

Please refer to the section set out in CHAIRMAN'S STATEMENT for prospects of the core business and new projects of the Group.

REVIEW OF RESULTS

The Group's revenue in FY2021 was HK$245.7 million, with an increase of 13.0% from HK$217.4 million in FY2020 amid the challenges of COVID situation which temporarily affect our new upscale residential care home for the elderly under ramp-up period. The core business of our eight EA1 care and attention homes in Hong Kong remains strong and stable despite all the hardships with an average occupancy rate of 94.0%.

Core EBITDA (our key elderly home care services business performance indicator) increased by 65.1% to HK$53.8 million (FY2020: HK$32.6 million).

The Group recorded a profit of HK$3.2 million in FY2021 as compared with HK$13.6 million in FY2020, mainly attributed to revenue growth, partially offset by the increase in depreciation and finance costs upon commencement of operation of Pine Care Point and the share of loss of a joint venture, i.e. Patina Wellness.

The reconciliation of Core EBITDA, EBITDA and Profit for the year is as follows:

	FY2021	FY2020
	HK$'000	*HK$'000*
Profit for the year	**3,214**	13,576
Finance costs	**14,543**	4,764
Income tax expenses	**7,468**	3,546
Depreciation	**56,841**	33,689
Amortisation	**3,093**	3,093
EBITDA	**85,159**	58,668
Share of interests and depreciation of a joint venture	**21,214**	6,396
Other income and gains	**(477)**	(476)
Non-recurring government grant for Employment Support Scheme	**(16,322)**	–
	89,574	64,588
Excluding:		
Effect of adoption of HKFRS 16 on property rental and related expenses on subsidiaries	**(23,558)**	(19,775)
Effect of adoption of HKFRS 16 of share of results of a joint venture on property rental and related expenses	**(12,240)**	(12,240)
Core EBITDA	**53,776**	32,573

FINANCIAL REVIEW

Please refer to the preceding sections for the review of the Group's results and business. This section deals with other key financial data.

Depreciation

Depreciation represents depreciation charges for the Group's property, plant and equipment which comprise right-of-use assets, leasehold improvements, furniture, fixtures and other equipment and motor vehicles. Depreciation increased by approximately 68.7% to HK$56.8 million in FY2021 from HK$33.7 million in FY2020. The increase in depreciation was mainly attributable to the depreciation charge upon commencement of operation of Pine Care Point and Zhejiang Pine Care Yada Elderly Services Limited.

Staff costs

Staff costs remained as the largest component of our operating expenses. Our staff costs include wages, salaries, bonuses, retirement benefit costs, and other allowances and benefits payable to all employees of the Group. Our gross staff costs, before netting off with government grants of HK$16.3 million (FY2020: Nil) under Employment Support Scheme and HK$11.9 million (FY2020: HK$11.2 million) for hiring specialised professionals for our elderly residents with dementia and infirmary, increased by approximately 5.2% to HK$116.5 million in FY2021 from HK$110.7 million in FY2020, primarily contributed by the commencement of operation of Pine Care Point. Gross staff cost represents approximately 47.4% of FY2021 revenue and 51.0% of FY2020 revenue respectively.

Multidisciplinary fees and related expenses

Our multidisciplinary fees and related expenses mainly consist of medical and professional fees incurred for engaging external visiting medical officers, dietitians and pharmacists, and additional manpower of physiotherapists, care workers and health workers through employment agencies.

The expenses decreased by approximately 16.6% to HK$10.2 million in FY2021 from HK$12.2 million in FY2020. The decrease in multidisciplinary fees and related expenses was primarily due to engaging less physiotherapists and workforce through employment agencies.

Property rental and related expenses

Our property rental and related expenses primarily represent government rent and rates and building management fees in respect of our leased properties. Property rental and related expenses increased by approximately 4.3% to HK$6.9 million in FY2021 from HK$6.6 million in FY2020. The increase was primarily contributed by higher building management fees and government rent and rates from operation of Pine Care Point.

Food and beverage costs

Our food and beverage costs represent costs of all food ingredients and beverages used for the provision of meals to our residents. The increase in food and beverage costs was mainly contributed by the increase in occupancy of Pine Care Place and the impact of full year operation of Pine Care Point.

Utility expenses

Our utility expenses represent costs of water and electricity for our care and attention homes and office. The costs remained stable at HK$6.9 million in FY2021 compared with HK$7.1 million in FY2020 due to the offsetting impact of the concessions on electricity charges during the year and the increase in occupancy of Pine Care Place and Pine Care Point.

Supplies and consumables

Our supplies and consumables represent costs of medical consumable materials used for our operation. The costs increased by approximately 12.5% to HK$7.6 million in FY2021 from HK$6.7 million in FY2020. The increase in supplies and consumables was mainly contributed by higher occupancy of Pine Care Place and Pine Care Point and more procurement of medical consumable materials and sanitation products to safeguard our care and attention homes against the novel coronavirus.

Other operating expenses

Our other operating expenses in FY2021 mainly consist of (i) advertising expenses for digital marketing and promotions of our care and attention homes and new projects, with an aggregate amount of HK$1.8 million (FY2020: HK$1.6 million); (ii) insurance policies for all of our care and attention homes, with an aggregate amount of HK$1.4 million (FY2020: HK$1.0 million); (iii) legal and professional fees, with an aggregate amount of HK$4.4 million (FY2020: HK$7.1 million); and (iv) corporate expenses and various operating expenses, with an aggregate amount of HK$3.7 million (FY2020: HK$4.6 million).

The expenses decreased by approximately 20.4% to HK$11.3 million in FY2021 from HK$14.2 million in FY2020. The decrease in other operating expenses was primarily driven by the non-recurring legal and professional fees of HK$2.4 million in FY2020 for the preparation of the composite offer and response document jointly issued by the Company and Mr. Tang Yiu Sing dated 28 February 2020 in relation to, among other things, the unconditional mandatory general cash offer.

Share of loss of a joint venture

The share of loss of a joint venture of HK$15.8 million represents the share of operating loss before interests, tax and depreciation of HK$6.8 million, share of depreciation on owned assets of HK$5.9 million and share of interests on lease of HK$2.8 million and share of depreciation on right-of-use assets of HK$12.5 million, partially offset with effect of adoption of HKFRS 16 of share of results of a joint venture on property rental and related expenses of HK$12.2 million of Patina Wellness Limited in which the Group holds 51% of the equity interest.

Finance costs

Our finance costs mainly represent interest expenses on bank loans. The finance costs increased by approximately 205.3% to HK$14.5 million in FY2021 from HK$4.8 million in FY2020. The increase in finance costs was primarily due to the interest expenses on bank loans that are directly attributable to the development of Pine Care Point, which were no longer capitalised upon commencement of operation.

Income tax expense

Our income tax expense represents Hong Kong profits tax of 16.5% on estimated assessable profits arising in Hong Kong. The income tax expense increased by approximately 110.6% to HK$7.5 million in FY2021 from HK$3.5 million in FY2020, which was primarily attributable to the increase in assessable profits.

Profit for the year attributable to equity holders of the Company

As a result of the foregoing, profit for the year attributable to equity holders of the Company decreased by approximately 56.9% to HK$5.9 million for FY2021 from HK$13.6 million in FY2020.

KEY FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment consist of land and buildings, right-of-use assets, leasehold improvements, furniture, fixtures and other equipment, motor vehicles and construction in progress. As at 31 March 2021 and 31 March 2020, the Group's property, plant and equipment amounted to HK$772.7 million and HK$819.3 million respectively. Decrement in FY2021 was primarily due to depreciation charges for the current year.

Goodwill

Goodwill primarily represents the excess of the aggregate of the consideration over the fair value of the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

As at 31 March 2021 and 31 March 2020, the Group carried goodwill of HK$33.8 million in the consolidated statement of financial position, which arose from the acquisition of controlling interests in companies principally engaged in the provision of elderly home care services. No impairment was noted based on the goodwill impairment assessment performed by our management.

Interest-bearing bank borrowings

As at 31 March 2021 and 31 March 2020, our interest-bearing bank borrowings mainly represented bank loans which consisted of mortgage loans for financing mortgage payments for our care and attention home premises and working capital loans for our working capital.

The effective interest rates pertaining to our bank loans ranged from 0.93% to 2.75% as at 31 March 2021 and from 2.00% to 4.05% as at 31 March 2020; with the maturity up to year 2036 as at 31 March 2021 (31 March 2020: year 2035). Despite that an increasing trend of interest rates is expected in the foreseeable future, we are confident in managing our finance costs through repayments of the bank loans via our steady cash inflows generated from operations.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net assets

Our net assets amounted to HK$204.2 million and HK$206.7 million as at 31 March 2021 and 31 March 2020 respectively.

For illustrative purposes, by including the revaluation surplus of the land and buildings of the Group of HK$823.4 million, being the premium of the total valuation of HK$1,469.6 million, as appraised by an independent valuer engaged by the Company in respect of the valuation of the land and buildings of the Group as at 31 March 2021, over the carrying amount of the land and buildings of the Group of HK$646.2 million as at 31 March 2021, the adjusted consolidated net assets of the Group would have been HK$1,027.6 million as at 31 March 2021.

	FY2021	FY2020
	HK$'000	*HK$'000*
Net assets	**204.2**	206.7
Illustrative revaluation surplus of the land and buildings of the Group *(Note)*	**823.4**	773.9
Adjusted net assets	**1,027.6**	980.6

Note:

The land and buildings of the Group are occupied and used by the Group to perform its ordinary business and have been classified as property, plant and equipment and stated at cost less accumulated depreciation and any impairment losses. To better illustrate the latest market value of the net assets at the balance sheet date, the illustrative revaluation surplus was presented to facilitate a better understanding of the users of the financial statements.

Current ratio

As at 31 March 2021, our cash and bank balances amounted to HK$49.7 million (as at 31 March 2020: HK$27.8 million) and were mainly denominated in Hong Kong dollars; and our net current liabilities were HK$40.1 million (net current liabilities as at 31 March 2020: HK$409.5 million). The current ratio, being current assets over current liabilities, was approximately 0.70 time as at 31 March 2021 (as at 31 March 2020: 0.10 time).

Improvement in current ratio was mainly due to the Group did not comply with a covenant of a term loan as at 31 March 2020; and the carrying amount of term loan amounting to HK$346.5 million was classified as current liabilities as at 31 March 2020. Relevant covenant of this term loan was removed in a revised banking facility letter in June 2020 and the non-current portion of this term loan of HK$332.5 million according to the original repayment schedule was re-classified as non-current liabilities.

Maturity profile

As at 31 March 2021, our interest-bearing bank borrowings amounted to HK$602.9 million (as at 31 March 2020: HK$599.3 million), among which, assuming the aforesaid term loan would be repayable according to the repayment schedule and taking into account of the deferral of principal payments covered under the Hong Kong Monetary Authority's Pre-approved Principal Payment Holiday Scheme for corporate customers, HK$75.0 million, HK$71.4 million, HK$356.8 million, and HK$99.7 million were repayable within one year or on demand, in the second year, in the third to fifth years (both years inclusive), and beyond five years respectively (as at 31 March 2020: HK$42.3 million, HK$51.0 million, HK$452.6 million, and HK$53.4 million respectively). As at 31 March 2021 and 31 March 2020, all of our interest-bearing bank borrowings were denominated in Hong Kong dollars and the majority of our interest-bearing bank borrowings were secured by the land and buildings of the Group.

Gearing ratio

Gearing ratio is measured by the net debt (representing interest-bearing bank borrowings net of cash and cash equivalents) over total assets (representing current assets and non-current assets). As at 31 March 2021, our gearing ratio was 59.7% as compared with the gearing ratio of 60.6% as at 31 March 2020.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during FY2021. The capital of the Company comprises ordinary shares and other reserves.

CAPITAL EXPENDITURE

Total capital expenditure during the year was HK$5.3 million, for renovation works of our care and attention homes. In FY2020, the Group incurred capital expenditure in an aggregate amount of HK$40.1 million, mainly due to renovation works of Pine Care Point.

RISK MANAGEMENT

Interest rate risk

The Group's exposure to interest rate risk principally relates to the Group's bank loans which are based on the Hong Kong Interbank Offered Rate or the best lending rate. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 March 2021, if the interest rates on borrowings had been 25 basis points higher/lower, which was considered reasonably possible by the management, with all other variables held constant, the profit after tax for the year would decrease/increase by HK$1.3 million (FY2020: HK$0.5 million) as a result of higher/lower interest expenses on bank borrowings.

Liquidity risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

The credit risk of the Group's other financial assets mainly comprising cash and bank balances and due from a joint venture has a maximum exposure that equals to the carrying amounts of these instruments. There is no significant concentration of credit risk in relation to the Group's financial assets.

Foreign currency risk

The Group has no significant exposure to foreign currency risk, and hence the Group does not have a foreign currency hedging policy.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any contingent liability or material off-balance sheet arrangements.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures undertaken by the Group during the year.

SIGNIFICANT INVESTMENTS

As at 31 March 2021, the Group did not have any significant investments held.

CAPITAL COMMITMENT

As at 31 March 2021, the Group did not have capital commitments (as at 31 March 2020: Nil).

PLEDGE OF ASSETS

As at 31 March 2021, land and buildings with an aggregate carrying amount of HK$634.0 million (as at 31 March 2020: land and buildings and construction in progress of HK$657.1 million), and investment in insurance contract with carrying amount of HK$3.3 million (as at 31 March 2020: HK$3.1 million) were pledged to secure general banking facilities granted to the Group. Save for the above, the Group had no other pledges of assets as at 31 March 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Subsequent to the year ended 31 March 2021, the Group entered into a lease and the value of the right-of-use asset recognised by the Group under the lease amounted to approximately HK$203.1 million, which is the present value of the aggregated lease payments from 7 August 2021 to 6 August 2031 assuming the exercise of renewal options in accordance with HKFRS 16. The rent payable during the term of the lease will be satisfied by internal resources of the Group. For details, please refer to the announcement of the Company dated 21 May 2021. Save as aforesaid, as at 31 March 2021, the Group did not have other plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2021, the Group had a total of 466 full-time and part-time employees (as at 31 March 2020: 457 employees). Our staff costs (excluding government grants) were HK$116.5 million in FY2021 (FY2020: HK$110.7 million).

The Group ensures that the pay levels of its employees are competitive, and employees are rewarded on a performance-related basis, together with reference to the profitability of the Group, prevailing remuneration benchmarks in the industry, and market conditions, within the general framework of the Group's remuneration system.

In addition, the Group also adopted a share option scheme (the "**Share Option Scheme**") for the purpose of motivating eligible participants to optimise their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain an on-going business relationship with such eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the Share Option Scheme include, but are not limited to, the directors, including independent non-executive directors, of the Group, full-time or part-time employees of the Group, and advisers, consultants, suppliers, customers, and such other persons who in the sole opinion of the directors will contribute or have contributed to the Group. The Share Option Scheme was conditionally adopted on 23 January 2017. No share option has been granted or agreed to be granted under the Share Option Scheme since its adoption.

The remuneration of the directors is reviewed by the Remuneration Committee and approved by the Board, according to the relevant directors' experience, responsibility, workload, the time devoted to the Group, the Group's operating results and comparable market statistics.

ANNUAL GENERAL MEETING

The Company's annual general meeting will be held on Friday, 27 August 2021 at 10:00 a.m. (the "**2021 AGM**"). A notice convening the 2021 AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

FINAL DIVIDEND

As the business of the Group is expected to undergo rapid expansion and development, adequate working capital is required to be reserved for its projects development. As a result, the Directors do not recommend the payment of final dividend for the FY2021 (FY2020 final dividend: HK0.68 cent per ordinary share of the Company).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 23 August 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 March 2021, except for code provision A.4.1 which stipulates that non-executive directors shall be appointed for a specific term.

Dr. Tang Yiu Pong, the non-executive director of the Company, and Mr. Yuen Tak Tim Anthony, Mr. Lam Cheung Wai, Mr. Wong Kam Pui and Mr. Wong Kit Loong, the independent non-executive directors of the Company, are not appointed for a specific term, but they are subject to retirement and re-election by shareholders at the annual general meeting pursuant to the Company's Articles of Association. Accordingly, the Board considers that such a requirement is sufficient to meet the underlying objective of the said code provision A.4.1.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of this announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 March 2021 have been agreed by the Company's external auditor, PricewaterhouseCoopers, Certified Public Accountants ("**PwC**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2021. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

AUDIT COMMITTEE

The audit committee (consisting of the four independent non-executive directors of the Company) has reviewed with management of the Company the principal accounting policies adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the consolidated financial statements for the year ended 31 March 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pinecaregroup.com). The annual report of the Company for the year ended 31 March 2021 containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

For and on Behalf of the Board
Pine Care Group Limited
Tang Yiu Sing
Chairman and Executive Director

Hong Kong, 24 June 2021

As at the date of this announcement, the Board comprises nine Directors, namely Mr. Tang Yiu Sing, Mr. Chan Yip Keung, Mr. Yeung Ka Wing and Mr. Cheng Wai Ching as executive Directors; Dr. Tang Yiu Pong as non-executive Director; and Mr. Yuen Tak Tim Anthony, Mr. Lam Cheung Wai, Mr. Wong Kam Pui and Mr. Wong Kit Loong as independent non-executive Directors.