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 2022

FINANCIAL HIGHLIGHTS:

- Revenue increased by 9.0% to HK$267.7 million
- Loss of HK$24.0 million in FY2022 as compared with a profit of HK$3.2 million in FY2021 despite increase in revenue, was mainly attributed to the absence of non-recurring subsidies under the Employment Support Scheme of the Hong Kong SAR Government of HK$16.3 million; the impairment of assets in relation to the PRC operation of RCHE in Wuzhen, Zhejiang of HK$5.8 million; the impairment of amount due from a joint venture and other provisions of HK$11.8 million; and non-cash share option expenses of HK$3.3 million in relation to share options granted by the Company during FY2022 as compared to FY2021.
- Core EBITDA remained stable at HK$53.7 million as compared to HK$53.8 million in FY2021

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/(losses), net, non-recurring government grant for Employment Support Scheme, impairment of assets of PRC operation, impairment of amount due from a joint venture and other provisions, and share option expenses, 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**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2022 ("**FY2022**"), together with the comparative figures for the year ended 31 March 2021 ("**FY2021**").

CHAIRMAN'S STATEMENT

Overview

FY2022 continues to be a challenging year across many industries, including our own. I am pleased to report that our business continued to demonstrate great degree of agility and resilience during the atypical times in FY2022.

Financially, FY2022 was still a difficult year which recorded loss of HK$24.0 million due to the absence of non-recurring subsidies under the Employment Support Scheme of the Hong Kong SAR Government and the unfavourable impact of the COVID-19 situation. Performance in relation to our PRC operations in Zhejiang (the "**PRC operation**") and our investment in a joint venture, Patina Wellness Limited, had been adversely affected, resulting in the impairment of assets and operating losses.

Despite all the hardships, and the unprecedented challenges presented by the COVID-19 situation, we have stayed focus on our goals as we believe every challenge is an opportunity. With our perseverance of keeping ahead, I am pleased to report that our core business remains strong with an average occupancy rate of 92.7% compared to 94.0% for FY2021, while the occupancy of our upscale residential care homes for the elderly ("**RCHEs**"), Pine Care Place in Yoho Mall, Yuen Long; and Pine Care Point in Shek Kip Mei also recorded a double-digit increment of 17.6% and 19.2% respectively for FY2022.

Excluding the effect of non-recurring adjustments and our adoption of the Hong Kong Financial Reporting Standard ("**HKFRS**") 16 Leases, our core EBITDA for the year continued to record staunch performance at HK$53.7 million, which remained stable and comparable to HK$53.8 million in FY2021.

Solidify our Reputation for Quality

We are making great strides in the upscale segment. Our upscale RCHE, Pine Care Place, had ramped up and solidified its reputation for quality in the upscale segment, especially in areas of rehabilitation and skilled nursing care services.

We believe that the demand for quality senior care is still seriously underserved in Hong Kong. We are perfectly positioned to capitalise on this opportunity with the provision of more specialised senior care services at Pine Care Point. Despite its performance was temporarily affected by the COVID-19 situation at the initial stage of operation, we have made significant progress in executing our business plan and bringing the quality senior care concepts to reality. We are optimistic that the occupancy at Pine Care Point would further increase in the near term.

Pine Residence — A New Flagship of Silverage Collection on Hong Kong Island

In terms of our expansion in the upscale segment, we have entered into a lease with an independent third party in May 2021 of a premises with a total floor area of approximately 35,400 square feet situated at 1 Leighton Road, Causeway Bay. With its prime location, efficient layout and ample windows frontage, we believe that the property is ideally suited for the Group's new care and attention home, Pine Residence.

It is envisioned that Pine Residence will become the Group's third foray into the upscale market segment, following the launch of Pine Care Place in Yoho Mall, Yuen Long, New Territories and Pine Care Point in Nam Cheong Street, Shek Kip Mei, Kowloon. We plan to position Pine Residence as a new flagship of our Silverage Collection with a wide range of services covering EA1 *(Note)*, affordable upscale and upscale residential care. Medical and professional nursing support will be delivered by a multidisciplinary and collaborative team including nurses, care givers, social workers, occupational therapists and physiotherapists.

Pine Residence enjoys a prime location on Hong Kong Island, within 10-minute drive to 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 technologies to ensure the finest standard of geriatric care and well-being for the residents.

The establishment of Pine Residence marks our commitment to investing in quality senior care services. We believe it will bring a positive impact on the Group's branding, as well as providing the finest and most comprehensive care for the residents. It is envisioned that Pine Residence will commence operation in the fourth quarter of 2022.

Notes:

"Enhanced Bought Place Scheme" or "EBPS": the scheme under which the Social Welfare Department (the "**SWD**") of the HKSAR 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.

Strategic Rebalancing and Rejuvenating

Our business vision and long-term commitment are to promote the quality standard and development of the senior care industry. We are proactive in innovative initiatives and dedicated to incubation of new ideas in our business. We look for strategies to achieve uniqueness and flexibility in our business.

We maintain a strong core team and dedicated supporting staff. We strive to scale up our business growth by re-deploying and re-doubling our resources in Hong Kong. Our portfolio of quality services, and our efforts in the integration of information technology and products in the RCHEs operated and/or managed by us to promote smart health and senior care within the community are designed to offer unique value to our customers and cater for their needs and preferences. This customer-centric culture is important in nurturing customer loyalty in our business, which is conducive to customer retention and consequently expansion of our market share.

In addition, we evolve towards the business model of light-assets to offer more accessible options to both existing and potential markets. The implementation may take the form of, among others, entering into management contracts in which we will provide consultancy and management services of senior care operations. We believe that the light-assets business model can create new revenue streams, enhance innovation, and minimize operating costs and thus help drive a higher return on capital for the Group.

The management of Patina Wellness is our first testament in the ageing-in-place and semi-independent living segment using the light-assets business model, which saw the largest increase in occupancy level in FY2022 (with latest occupancy of serviced apartments above 80% and RCHE above 90%) and achieved a high level of customer satisfaction as revealed from customer surveys and communication from time to time. This is extremely encouraging as we believe that high level of customer satisfaction is vital to customer loyalty which, in turn, is strongly related to our profitability in the long run. Ageing-in-place is a modern approach for senior care which allows for maximum personalisation and independence for seniors and offers more privacy than a communal setting, and our professional nursing and multidisciplinary team aims to create a secured and comforted community environment whereby senior residents' well-being and healthcare needs are well supported by us. We will identify potential scalable sites and real estate projects to replicate our success and the business models learnt from Patina Wellness for the emerging ageing-in-place and semi-independent living market.

Further, we strategically renew our focus in the PRC by retreating from the under-performed PRC operation in Zhejiang. We believe that by taking a small step backward, we can move a giant step forward to capture and leverage the growing opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**GBA**") of China where the plans outlined in the development blueprint for the GBA start to come into fruition.

As senior care has shifted from reactive to proactive over the years, we trust the above diversified approach, multi-pronged framework and corporate strategic focus to support senior friendly initiatives will continue to provide a constant influx of fresh perspectives necessary to keep our brand and business relevant in the fast-changing markets both locally and in the GBA. These, in turn, will allow us to gain an edge over our competitors and keep us up with our business growth in the long run.

Ageing-in-Place Care and Community Care

Moving forward, we would take steps in expanding our elite services to ageing-in-place senior care services and community care development initiatives based on our established hubs, to encompass the various needs of seniors at different stage of life through our care-giving journey.

We recognise the market's constant desire for choice. We will remain agile in our business plans and service offerings with the aim of providing a wider range of choices to the senior care market to promote the quality of senior care that cater for both the existing and emerging markets.

Tang Yiu Sing
Chairman

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
REVENUE	4	**267,749**	245,706
Other income and gains/(losses), net	4	**945**	477
Amortisation		**(806)**	(3,092)
Depreciation		**(57,247)**	(56,841)
Staff costs		**(117,803)**	(88,328)
Multidisciplinary fees and related expenses		**(15,304)**	(10,189)
Property rental and related expenses		**(9,489)**	(6,906)
Food and beverage costs		**(10,232)**	(9,561)
Utility expenses		**(7,555)**	(6,893)
Supplies and consumables		**(7,618)**	(7,565)
Repair and maintenance		**(2,486)**	(3,151)
Hygienic and cleaning expenses		**(1,461)**	(1,270)
Other operating expenses		**(16,833)**	(11,324)
Impairment of property, plant and equipment	14	**(5,814)**	–
Impairment of amount due from a joint venture		**(9,910)**	–
Finance costs		**(10,477)**	(14,543)
Share of loss of a joint venture		**(13,327)**	(15,838)
(LOSS)/PROFIT BEFORE TAX	5	**(17,668)**	10,682
Income tax expenses	6	**(6,321)**	(7,468)
(LOSS)/PROFIT FOR THE YEAR		**(23,989)**	3,214
Attributable to:			
Owners of the parent		**(20,633)**	5,860
Non-controlling interests		**(3,356)**	(2,646)
		(23,989)	3,214
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	8		
Basic and diluted (Hong Kong cents)		**(2.3)**	0.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(23,989)**	3,214
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/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	**(17)**	226
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(18)**	236
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(35)**	462
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(24,024)**	3,676
Attributable to:		
Owners of the parent	**(20,651)**	6,096
Non-controlling interests	**(3,373)**	(2,420)
	(24,024)	3,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**931,190**	772,663
Intangible assets		**2,287**	3,093
Investment in a joint venture		**–**	5,565
Prepayments, deposits and other receivables		**14,444**	6,899
Goodwill	11	**33,833**	33,833
Investment in insurance contract		**3,371**	3,261
Financial assets at fair value through profit or loss		**24,937**	–
Deferred tax assets		**4,621**	6,222
Due from a joint venture		**4,376**	–
Total non-current assets		**1,019,059**	831,536
CURRENT ASSETS			
Due from a joint venture		**–**	21,976
Trade receivables	10	**7,762**	6,708
Tax recoverable		**1,051**	1,226
Prepayments, deposits and other receivables		**3,101**	15,901
Cash and cash equivalents		**29,083**	49,687
Total current assets		**40,997**	95,498
Assets held for sale	14	**28,854**	–
Total assets		**1,088,910**	927,034
CURRENT LIABILITIES			
Trade payables	12	**1,272**	2,426
Other payables and accruals		**29,066**	15,592
Interest-bearing bank borrowings		**125,102**	84,648
Lease liabilities		**33,837**	25,837
Tax payable		**7,024**	7,130
Total current liabilities		**196,301**	135,633
NET CURRENT LIABILITIES		**(155,304)**	(40,135)
TOTAL ASSETS LESS CURRENT LIABILITIES		**892,609**	791,401

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**458,505**	518,287
Lease liabilities		**199,168**	50,243
Other payables and accruals		**5,982**	5,444
Deferred tax liabilities		**12,420**	13,240
Total non-current liabilities		**676,075**	587,214
Liabilities directly associated with assets held for sale	*14*	**33,049**	–
Total liabilities		**905,425**	722,847
Net assets		**183,485**	204,187
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**9,029**	9,029
Reserves		**173,851**	191,180
		182,880	200,209
Non-controlling interests		**605**	3,978
Total equity		**183,485**	204,187

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 senior care services.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2.1 BASIS OF PRESENTATION

As at 31 March 2022, the Group's current liabilities exceeded its current assets by HK$155.3 million (2021: HK$40.1 million). Included in its current liabilities were mainly lease liabilities of HK$33.8 million (2021: HK$25.8 million) and interest-bearing borrowings of HK$125.1 million which included revolving bank loan facilities of HK$39.9 million and a bank loan of HK$6.7 million which is not contractually due for repayment within the next twelve months from 31 March 2022 but classified as current liability due to the bank's overriding rights to demand repayment. Undrawn facilities amounted to HK$10.5 million as at 31 March 2022.

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 2023. 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 cashflows generated from its operations;

2. a refinanced bank loan in May 2022 of HK$37.4 million which was originally contractually due in June 2022 to a period up to May 2025;

3. the continued roll over of the revolving bank loan facilities of HK$39.9 million with similar terms and the bank loan of HK$6.7 million will not be required to be repaid according to the contractual repayment schedule notwithstanding the rights to demand clause in these facilities ("**revolving/other loans**") facilities; and

4. new bank loan of HK$6 million ("**new loan**") was obtained by the Group subsequent to the year end on 6 April 2022 and unutilised credit facilities of the Group which may be drawn if necessary.

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 period ending 31 March 2023, the successful continued availability of the revolving/other loans facilities as well as the new and refinanced loans and undrawn credit facilities available to the Group, 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 2022. 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 and financial assets at fair value through profit or loss. 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

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

(b) 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 2022 and have not been early adopted by the Group:

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020[(1)]
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments[(1)]
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations[(1)]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[(2)]
HKFRS 17	Insurance Contracts[(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[(2)]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[(2)]
Amendments to HKAS 8	Definition of Accounting Estimates[(2)]
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction[(2)]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[(3)]

(1) Effective for annual periods beginning on or after 1 January 2022
(2) Effective for annual periods beginning on or after 1 January 2023
(3) Effective date is to be determined

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 senior 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 2022 and 2021.

Information about a major customer

Revenue of HK$110,509,000 was derived from the Hong Kong Government under the Enhanced Bought Place Scheme ("**EBPS**") (2021: HK$109,747,000 of which HK$107,915,000 from EBPS and HK$1,832,000 from the provision of care support services and necessities to persons in decanting centre), which amounted to more than 10% of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

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

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Rendering of senior care services	**237,276**	218,734
Sale of elderly home related goods	**30,473**	26,972
	267,749	245,706
Other income		
Bank interest income	**–**	1
Rental income	**628**	358
	628	359
Gains/(losses)		
Change in cash surrender value of insurance contract	**110**	118
Change in fair value of financial assets at fair value through profit or loss	**(63)**	–
Others	**270**	–
	317	118
	945	477

5. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Cost of goods and consumables sold	**17,850**	17,126
Amortisation	**806**	3,092
Depreciation on owned assets	**16,473**	15,285
Depreciation on right-of-use assets — land	**18,644**	18,644
Depreciation on right-of-use assets — buildings	**34,960**	22,912
	70,077	56,841
Less: Amount capitalised	**(12,830)**	–
	57,247	56,841
Auditor's remuneration		
— Audit service	**1,434**	1,150
— Non-audit service	**381**	334
Staff costs:		
Wages and salaries	**121,771**	110,871
Pension scheme contributions	**4,341**	4,147
Provision for long service payments	**538**	399
Share option expenses	**968**	–
Directors' remuneration	**2,374**	1,083
	129,992	116,500
Net of:		
Government grants of Employment Support Scheme	**–**	(16,322)
Other government grants#	**(12,189)**	(11,850)
	117,803	88,328
Impairment of amount due from a joint venture	**9,910**	–
Impairment of assets classified as held for sale	**5,814**	–
Change in cash surrender value of insurance contract	**(110)**	(118)
Change in fair value of financial assets at fair value through profit or loss	**63**	–
Expenses relating to variable lease payments depending on the turnover not included in lease liabilities	**2,111**	843

Various government grants have been received for the welfare of the elderly in the Group's elderly home care centres. 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% (2021: 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. The first HK$2,000,000 (2021: 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%.

	2022	2021
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**5,594**	8,384
(Over)/underprovision in prior years	**(54)**	77
Deferred	**781**	(993)
Total tax charge for the year	**6,321**	7,468

7. DIVIDENDS

No dividend in respect of the year ended 31 March 2022 (2021: Nil) was proposed by the board of directors of the Company.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the year attributable to the ordinary equity holders of the Company of HK$20,633,000 (2021: profit of HK$5,860,000), and the weighted average number of ordinary shares of 902,880,000 (2021: 902,880,000) in issue during the year.

No adjustment has been made to the basic loss/earnings per share amounts presented for the years ended 31 March 2022 and 2021 as there were no dilutive potential ordinary shares during 2022 as the share options of the Company were anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2022, property, plant and equipment addition of the Group was HK$261,626,000 (2021: HK$7,279,000) of which right-of-use asset recognised was HK$204,663,000 (2021: HK$409,000). At 31 March 2022, the Group's land and buildings with a total carrying amount of HK$617,313,000 (2021: HK$633,969,000) was pledged to secure general banking facilities granted to the Group.

10. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**7,762**	6,708

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:

	2022	2021
	HK$'000	*HK$'000*
Within one month	**2,958**	3,062
One to two months	**3,155**	2,770
Two to three months	**1,001**	266
Over three months	**648**	610
	7,762	6,708

11. GOODWILL

	2022	2021
	HK$'000	*HK$'000*
Cost	**33,833**	33,833
Accumulated impairment	**–**	–
Net carrying amount	**33,833**	33,833

12. 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:

	2022	2021
	HK$'000	*HK$'000*
Within one month	**1,272**	2,426

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

13. SHARE CAPITAL

	2022 HK$'000	2021 HK$'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

14. ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

The Group owned 51% equity interest in Pine Care Yada Elderly Services Limited ("**Pine Care Yada HK**") which had a wholly owned subsidiary in Zhejiang Province of the PRC ("**Yada PRC**") to operate Pine Care Yada (Wuzhen) Elderly Centre to provide elderly care home services.

In March 2022, the Group entered into a sale and purchase agreement with Yada International (HK) Limited ("**Yada HK**") to purchase 49% of Pine Care Yada HK for a cash consideration of HK$100, subject to certain conditions precedent which include (i) the disposal of 100% interests in Yada PRC from Pine Care Yada HK to Yada HK or its related entities for RMB1 and (ii) the provision of funding by the Group to Yada PRC of HK$4.8 million.

The assets and liabilities relating to Yada PRC are classified as assets/liabilities held for sale at 31 March 2022 and a loss of approximately HK$5.8 million arising from the write down of Yada PRC's assets to fair value less cost of disposal pursuant to the reclassification was recognised in FY2022. The disposal was completed in April 2022.

	2022 HK$'000	2021 HK$'000
Assets		
Property, plant and equipment	**34,343**	–
Cash and cash equivalents	**325**	–
	34,668	–
Less: Impairment of property, plant and equipment	**(5,814)**	–
Assets classified as held for sale	**28,854**	–
Liabilities		
Other payables and accruals	**3,179**	–
Lease liabilities	**29,870**	–
Liabilities classified as held for sale	**33,049**	–

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except for the completion of disposal of Zhejiang Pine Care Yada Elderly Services Limited in April 2022 (note 14), there is no significant events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

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

The Group's revenue was mainly generated from (i) rendering senior 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 senior care related goods in Hong Kong.

Total revenue increased by approximately 9.0% to HK$267.7 million in FY2022 from HK$245.7 million in FY2021. The increase was mainly due to higher occupancy of Pine Care Place and Pine Care Point.

Average occupancy rate of Pine Care Place increased to 84.9% in FY2022 as compared to 67.3% in FY2021, which contributed to the increase of revenue to HK$27.5 million from HK$20.3 million in FY2021.

As for Pine Care Point, its revenue increased to HK$18.0 million in FY2022 from HK$9.0 million in FY2021 due to improvement in average occupancy rate. Average occupancy rate of FY2022 approximated 43.4%, as compared to 24.2% in FY2021. It is expected the occupancy at Pine Care Point will increase at a quicker pace once the COVID-19 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-19 situation, which led to a share of loss and other provisions before interests, tax and depreciation (excluding the impact of adoption of HKFRS 16 on its property rental and related expenses) at HK$4.5 million in FY2022.

Patina Wellness is the testament to our implementation of the asset-light business model. The management team of Patina Wellness continues to explore opportunities to leverage the established brand and expertise of Patina Wellness for providing management and/or consultation services to external parties, including property owners and potential investors in Hong Kong and the GBA.

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

REVIEW OF RESULTS

The Group's revenue in FY2022 was HK$267.7 million, with an increase of 9.0% from HK$245.7 million in FY2021. The core business of our eight EA1 RCHEs in Hong Kong remained strong and stable, with an average occupancy rate of 92.7%, and our upscale RCHEs showed positive growth amid the challenges posed by the ongoing COVID-19 situation.

Core EBITDA (our key senior care services business performance indicator) remained stable at HK$53.7 million (FY2021: HK$53.8 million).

The Group recorded a loss of HK$24.0 million in FY2022 as compared with a profit of HK$3.2 million in FY2021, mainly attributed to the absence of non-recurring subsidies under the Employment Support Scheme of the Hong Kong SAR Government of HK$16.3 million; the impairment of assets in relation to the PRC operation of RCHE in Wuzhen, Zhejiang of HK$5.8 million; the impairment of amount due from a joint venture and other provisions of HK$11.8 million; and non-cash share option expenses in relation to share options granted by the Company of HK$3.3 million, despite moderate revenue growth in our upscale RCHEs.

The reconciliation of Core EBITDA and EBITDA to Profit for the year was as follows:

	FY2022 ***HK$'000***	FY2021 *HK$'000*
(Loss)/profit for the year	**(23,989)**	3,214
Finance costs	**10,477**	14,543
Income tax expenses	**6,321**	7,468
Depreciation	**57,247**	56,841
Amortisation	**806**	3,092
EBITDA	**50,862**	85,158
Share of interests and depreciation of a joint venture	**21,018**	21,215
Other income and gains/(losses), net	**(945)**	(477)
Excluding:		
Effect of adoption of HKFRS 16 on property rental and related expenses on subsidiaries	**(25,988)**	(23,558)
Effect of adoption of HKFRS 16 of share of results of a joint venture on property rental and related expenses	**(12,240)**	(12,240)

	FY2022	FY2021
	HK$'000	*HK$'000*
Adjusted by:		
Non-recurring government grant of Employment Support Scheme	**–**	(16,322)
Impairment of amount due from a joint venture and other provisions	**11,848**	–
Impairment of assets classified as held for sale	**5,814**	–
Share option expenses	**3,322**	–
Core EBITDA	**53,691**	53,776
Core EBITDA to Revenue	**20.1%**	21.9%

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 remained stable and slightly increased by approximately 0.7% to HK$57.2 million in FY2022 from HK$56.8 million in FY2021.

Staff costs, multidisciplinary fees and related expenses

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$12.2 million (FY2021: HK$28.2 million, in which the grants of HK$11.9 million for dementia and infirmary and HK$16.3 million of Employment Support Scheme) for hiring specialised professionals for our senior residents with dementia and infirmary, increased by approximately 11.6% to HK$130.0 million in FY2022 from HK$116.5 million in FY2021, which was largely attributable to the growth in revenue.

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 increased significantly by approximately 50.2% to HK$15.3 million in FY2022 from HK$10.2 million in FY2021, primarily due to the enhancement of our nursing and rehabilitation team with more specialists and professional workforce engaged 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 properties. Property rental and related expenses increased by approximately 37.4% to HK$9.5 million in FY2022 from HK$6.9 million in FY2021. The increase was mainly contributed by higher turnover rent resulted from revenue growth of Pine Care Place.

Other operating expenses

Other operating expenses in FY2022 mainly consisted of (i) advertising and marketing expenses; (ii) insurance expenses; (iii) legal and professional fees; (iv) corporate expenses; and (v) various operating expenses, with an aggregate amount of HK$16.8 million (FY2021: HK$11.3 million).

The expenses increased by approximately 48.7% which was mainly due to (i) the share options expenses of HK$1.0 million included in legal and professional expenses; (ii) higher legal and professional fee by HK$1.7 million incurred for audit and various non-recurring transactions in FY2022; and (iii) higher other operating expenses and marketing expenses by HK$1.6 million and HK$0.4 million respectively driven by growth in revenue.

Share of loss of a joint venture

The share of loss of a joint venture of HK$13.3 million (FY2021: HK$15.8 million) represents the share of (i) operating loss and other provisions before interests, tax and depreciation of HK$4.5 million (FY2021: HK$6.8 million), and (ii) interest and depreciation of HK$21.0 million (FY2021: HK$21.2 million), offset with the effect of the adoption of HKFRS 16 of property rental and related expenses of HK$12.2 million (FY2021: HK$12.2 million) of Patina Wellness Limited in which the Group holds 51% of its equity interest.

Finance costs

Our finance costs mainly represent interest expenses on bank loans and interest elements of lease payments. The finance costs decreased by approximately 28.0% to HK$10.5 million in FY2022 from HK$14.5 million in FY2021, which was mainly due to lower interest rates in current year.

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 decreased by approximately 15.3% to HK$6.3 million in FY2022 from HK$7.5 million in FY2021, which was primarily attributable to the decrease in assessable profits.

Loss/profit for the year attributable to equity holders of the Company

As a result of the foregoing, loss for the year attributable to equity holders of the Company approximated to HK$20.6 million in FY2022 as compared to profit of HK$5.9 million in FY2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net assets

Our net assets amounted to HK$183.5 million and HK$204.2 million as at 31 March 2022 and 31 March 2021 respectively.

For illustrative purposes, by including the revaluation surplus of the land and buildings of the Group of HK$918.0 million, being the premium of the total valuation of HK$1,540.6 million, as appraised by an independent valuer engaged by the Company in respect of the valuation of the land and buildings of the Group performed as at 31 March 2022, over the carrying amount of the land and buildings of the Group of HK$622.6 million as at 31 March 2022, the adjusted consolidated net assets of the Group would have been HK$1,101.4 million as at 31 March 2022.

Illustrative Adjusted Consolidated Net Assets	**FY2022** ***HK$'000***	FY2021 *HK$'000*
Net assets	**183,485**	204,187
Illustrative revaluation surplus of the land and buildings of the Group *(Note)*	**917,961**	823,361
Adjusted consolidated net assets	**1,101,446**	1,027,548

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 date of Statement of Financial Position, the illustrative revaluation surplus was presented above to facilitate a better understanding of the users of the financial statements.

Current ratio

As at 31 March 2022, our cash and bank balances amounted to HK$29.1 million (as at 31 March 2021: HK$49.7 million) and were mainly denominated in Hong Kong dollars; and our net current liabilities were HK$155.3 million (net current liabilities as at 31 March 2021: HK$40.1 million). The current ratio, being current assets over current liabilities, was approximately 0.21 time as at 31 March 2022 (as at 31 March 2021: 0.70 time).

Decrease in current ratio was mainly due to (i) the classification of a term loan amounting to HK$37.4 million as current liabilities, in which the term loan was re-financed in May 2022; (ii) the increase in current portion of lease liabilities in relation to lease agreement of Pine Residence; (iii) the capital expenditure incurred for the renovation of Pine Residence which was included in property, plant and equipment; (iv) the purchase of financial assets at fair value through profit or loss; and (v) the classification of amount due from a joint venture to non-current assets.

Maturity profile

As at 31 March 2022, our interest-bearing bank borrowings amounted to HK$583.6 million (as at 31 March 2021: HK$602.9 million), among which, assuming the aforesaid term loan would be repayable according to the repayment schedule, HK$118.4 million, HK$36.0 million, HK$337.5 million, and HK$91.7 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 2021: HK$75.0 million, HK$71.4 million, HK$356.8 million, and HK$99.7 million respectively). As at 31 March 2022 and 31 March 2021, 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 2022, our gearing ratio was 50.9% as compared with the gearing ratio of 59.7% as at 31 March 2021. The decrease was primarily due to higher total assets resulted from the recognition of right-of-use assets for the lease entered during the year.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during FY2022. The capital of the Company comprises ordinary shares and other reserves.

CAPITAL EXPENDITURE

Total capital expenditure during the year was HK$40.2 million, mainly for renovation works of Pine Residence, our upcoming new RCHE in 1 Leighton Road, Causeway Bay, and our care and attention homes. In FY2021, the Group incurred capital expenditure in an aggregate amount of HK$5.3 million, mainly for renovation works of our care and attention homes.

MATERIAL ACQUISITIONS AND DISPOSALS 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 ended 31 March 2022.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2022, the Group did not have any significant investments held.

COMMITMENT

As at 31 March 2022, the Group has the following commitments:

	FY2022	FY2021
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Unlisted investment	**–**	9,688
Property, plant and equipment	**6,011**	–
	6,011	9,688

PLEDGE OF ASSETS

As at 31 March 2022, land and buildings and construction in progress with an aggregate carrying amount of HK$617.3 million (31 March 2021: HK$634.0 million), and investment in insurance contract with carrying amount of HK$3.4 million (as at 31 March 2021: HK$3.3 million) were pledged to secure general banking facilities granted to the Group. Save for the above, the Group had no other pledge of assets as at 31 March 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the business projects disclosed under the section headed "Chairman's Statement", the Group did not have any specific future plan for material investments or capital assets as at 31 March 2022. The Group will fund the said business projects through internally generated funds and available banking facilities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2022.

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 2022, if the interest rates on borrowings had been 75 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$3.7 million (FY2021: HK$3.8 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.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2022, the Group had a total of 504 full-time and part-time employees (as at 31 March 2021: 466 employees). Our staff costs (excluding government grants) were HK$130.0 million in FY2022 (FY2021: HK$116.5 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 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.

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, 26 August 2022 at 10:00 a.m. (the "**2022 AGM**"). A notice convening the 2022 AGM will be published and despatched 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. The Directors, therefore, do not recommend the payment of final dividend for the FY2022 (FY2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 23 August 2022 to Friday, 26 August 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, all share transfer documents, accompanied by the relevant share certificate(s), should be lodged with the Company's branch share registrar and transfer office 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, 22 August 2022.

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 2022, except for code provision A.4.1 which stipulates that non-executive directors shall be appointed for a specific term (which was deleted following the amendment to the Corporate Governance Code since 1 January 2022).

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 2022 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 2022. 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 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

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 2022 containing all the information required under the Listing Rules will be despatched 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, 21 June 2022

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.