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 2023

FINANCIAL HIGHLIGHTS:

- Revenue remained stable at HK$265.3 million in FY2023 as compared to HK$267.7 million in FY2022.
- Loss of HK$27.8 million in FY2023 was mainly attributed to the finance costs of HK$22.7 million and the non-recurring fair value loss on financial assets through profit or loss of HK$15.2 million, partially offset by the non-recurring subsidies of HK$7.9 million received by the Group under the Employment Support Scheme of the Hong Kong SAR Government.
- Core EBITDA decreased to HK$47.8 million in FY2023 as compared to HK$53.7 million in FY2022 mainly due to loss incurred in Pine Residence during its initial ramp up period. Core EBITDA remained stable excluding the impact of Pine Residence.

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, government grant for Employment Support Scheme, change in fair value of financial assets at fair value through profit or loss, impairment of assets of PRC operation, impairment of amount due from a joint venture, non-recurring legal and professional fee, share option expenses and release of exchange reserve upon disposal of a subsidiary, excluding the effect of adoption of HKFRS 16 on property rental and related expenses.

The board (the "**Board**") of directors (the "**Directors**") of Pine Care Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**Pine Care Group**") for the year ended 31 March 2023 ("**FY2023**"), together with the comparative figures for the year ended 31 March 2022 ("**FY2022**").

CHAIRMAN'S STATEMENT

OVERVIEW

FY2023 continues to be a challenging year across many industries, including our own. I am pleased to report that our business continued to demonstrate a great degree of agility and resilience during the atypical times in FY2023.

FY2023 was still a difficult year for the Group financially which recorded a loss of HK$27.8 million due to the unfavourable impact brought forward by the COVID-19 situation. Performance in relation to our operations and our investments had been adversely affected, resulting in the impairment of assets.

Despite all the hardships and the challenges posed by the COVID-19 situation, we remained committed to delivering quality healthcare services and placing the well-being of our residents at the forefront. With our perseverance, I am pleased to report that our core business of our 8 EA1[*(Note)*] residential care homes for the elderly ("**RCHEs**") remains strong with an average occupancy rate of 88.9% for FY2023 as compared to 92.7% for FY2022, while the occupancy of our Silverage Collection, comprising Pine Care Place in Yoho Mall, Yuen Long; and Pine Care Point in Shek Kip Mei, also recorded a double-digit increment of 12.4 percentage points, reaching an average occupancy of 71.9% for FY2023.

Excluding the effect of non-recurring adjustments and Hong Kong Financial Reporting Standard ("**HKFRS**") 16 Leases, our core EBITDA for FY2023 amounted to HK$47.8 million as compared to HK$53.7 million in FY2022, in which the decrement was mainly attributed to loss incurred in Pine Residence, our new flagship of our Silverage Collection under its initial ramp up period.

BUSINESS OUTLOOK

Forging into the Future

This year was a year of transformation for the Group, with our honour to introduce Chime Corporation Limited and its subsidiaries ("**Chinachem Group**") as the new controlling shareholder as well as various new members to the Board, all having profound experience, expertise and extensive network in the property development, asset management and hospitality sectors. We will leverage our resources and expertise to optimise the value of Pine Care Group.

I look forward to working with the Board and management team to develop and forge the healthcare and elderly care business based on our common belief in being "people-centric". Apart from promoting quality senior care services, we also strive to provide age-friendly and green facilities in the establishments, as well as to offer community services for the elderly and to make a meaningful impact while contributing to the well-being of Hong Kong.

SOLIDIFY OUR REPUTATION FOR QUALITY

We are making great strides in the Silverage Collection. Pine Care Point, our second foray in the upscale segment, had ramped up and solidified its reputation for quality, especially in areas of dementia care, cognitive training, rehabilitation and skilled nursing care services.

We believe that the demand for quality senior care services 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 our Silverage Collection.

PINE RESIDENCE — A NEW FLAGSHIP OF SILVERAGE COLLECTION ON HONG KONG ISLAND

On the expansion front, our Pine Residence situates at 1 Leighton Road, Causeway Bay with a total floor area of approximately 35,400 square feet has become the Group's third venture into the upscale market segment, following the previous launch of Pine Care Place in Yoho Mall, Yuen Long, New Territories and Pine Care Point in Nam Cheong Street, Shek Kip Mei, Kowloon. Pine Residence is the new flagship of our Silverage Collection, which is equipped with a wide range of services compatible with RCSV standards[*(Note)*], covering affordable upscale and upscale residential care. Medical and professional nursing support are 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 a 10-minute drive to five of Hong Kong's leading private and public hospitals. It is 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 our reputation in providing the finest and most comprehensive care for the residents. Pine Residence has become operational since December 2022.

Notes:

"Residential Care Service Voucher" or "RCSV" Scheme for the Elderly (the "**Scheme**"), adopting the "money-following-the-user" principle, provides an additional choice for elderly persons in need of residential care services. Elderly persons can freely choose and switch among RCHEs under the Scheme according to their needs. The Scheme allows voucher holders to make a top-up payment of up to 150% of the prevailing voucher value to purchase enhanced or value-added services. RCHEs participating in the Scheme have to meet the requirements specified by SWD on space standard, staffing and track record.

"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.

Ageing-in-Place Care and Community Care

Going forward, we will be exploring the Continuing Care Retirement Community ("**CCRC**") concept, which is becoming increasingly widespread in Mainland China, North America and Europe. As compared with conventional elderly care service concepts, CCRC is a sustainable community of elderly vitality where an array of services such as elderly care homes, nursing homes and day care centres are provided alongside apartments for senior citizens, allowing retirees to enjoy a variety of social, entertainment and care services to enhance their quality of life and well-being.

We would also take steps in expanding our elite services to ageing-in-place senior care services, community care development initiatives and implementing the aforesaid CCRC concepts based on our established hubs as well as the existing properties of Chinachem Group to encompass the various needs of seniors at different stages 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 caters for both the existing and emerging markets.

OUR SINCEREST THANKS

On behalf of the Board, I would like to thank our shareholders, customers, bankers and business partners for their continued trust and support. In particular, I would also like to express my deepest and most sincere gratitude to all our staff members throughout the Group for their passion, professionalism and diligence in caring for our residents round the clock and contributing to the Group.

Without their commitment and unwavering dedication, we could never have achieved the success we have, nor established such a high reputation for excellence in the senior care sector.

With our expansion plans in place and a team that is second to none, we are truly excited about the opportunities and achievements that are still to come.

Choi Wun Hing Donald
Chairman and Non-executive Director

21 June 2023

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
REVENUE	4	**265,269**	267,749
Other income and gains, net	4	**4,726**	945
Amortisation		**(806)**	(806)
Depreciation		**(63,711)**	(57,247)
Staff costs		**(115,919)**	(117,803)
Multidisciplinary fees and related expenses		**(12,567)**	(15,304)
Property rental and related expenses		**(9,436)**	(9,489)
Food and beverage costs		**(11,128)**	(10,232)
Utility expenses		**(9,642)**	(7,555)
Supplies and consumables		**(8,222)**	(7,618)
Repair and maintenance		**(2,772)**	(2,486)
Hygienic and cleaning expenses		**(1,527)**	(1,461)
Other operating expenses		**(15,372)**	(16,833)
Impairment of property, plant and equipment	14	**–**	(5,814)
Impairment of amount due from a joint venture		**(5,404)**	(9,910)
Change in fair value of financial assets at fair value through profit or loss		**(15,227)**	–
Release of exchange reserve upon disposal of a subsidiary		**(268)**	–
Finance costs		**(22,689)**	(10,477)
Share of loss of a joint venture		**–**	(13,327)
LOSS BEFORE TAX	5	**(24,695)**	(17,668)
Income tax expenses	6	**(3,086)**	(6,321)
LOSS FOR THE YEAR		**(27,781)**	(23,989)
Attributable to:			
Owners of the parent		**(27,781)**	(20,633)
Non-controlling interests		**–**	(3,356)
		(27,781)	(23,989)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENTS	8		
Basic and diluted (Hong Kong cents)		**(3.1)**	(2.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(27,781)**	(23,989)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss 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)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**–**	(18)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	**268**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**268**	(35)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(27,513)**	(24,024)
Attributable to:		
Owners of the parent	**(27,513)**	(20,651)
Non-controlling interests	**–**	(3,373)
	(27,513)	(24,024)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	Note	**2023** **HK$'000**	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**997,786**	931,190
Intangible assets		**1,481**	2,287
Investment in a joint venture		**–**	–
Prepayments, deposits and other receivables		**17,226**	14,444
Goodwill	11	**33,833**	33,833
Investment in insurance contract		**3,488**	3,371
Financial assets at fair value through profit or loss		**9,710**	24,937
Deferred tax assets		**5,812**	4,621
Due from a joint venture		**–**	4,376
Total non-current assets		**1,069,336**	1,019,059
CURRENT ASSETS			
Trade receivables	10	**10,057**	7,762
Tax recoverable		**952**	1,051
Prepayments, deposits and other receivables		**4,520**	3,101
Cash and cash equivalents		**23,399**	29,083
Total current assets		**38,928**	40,997
Assets held for sale	14	**–**	28,854
Total assets		**1,108,264**	1,088,910
CURRENT LIABILITIES			
Trade payables	12	**3,088**	1,272
Other payables and accruals		**22,933**	29,066
Loan from a fellow subsidiary		**20,000**	–
Interest-bearing bank borrowings		**134,402**	125,102
Lease liabilities		**39,300**	33,837
Tax payable		**4,003**	7,024
Total current liabilities		**223,726**	196,301
NET CURRENT LIABILITIES		**(184,798)**	(155,304)
TOTAL ASSETS LESS CURRENT LIABILITIES		**884,538**	892,609

	Note	**2023**	2022
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**455,177**	458,505
Lease liabilities		**251,935**	199,168
Other payables and accruals		**5,430**	5,982
Deferred tax liabilities		**11,408**	12,420
Total non-current liabilities		**723,950**	676,075
Liabilities directly associated with assets held for sale	*14*	**–**	33,049
Total liabilities		**947,676**	905,425
Net assets		**160,588**	183,485
EQUITY			
Equity attributable to owners of the parent	*13*		
Issued capital		**9,029**	9,029
Reserves		**151,559**	173,851
		160,588	182,880
Non-controlling interests		**–**	605
Total equity		**160,588**	183,485

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 2023, the Group's current liabilities exceeded its current assets by HK$184.8 million. Included in its current liabilities were mainly lease liabilities of HK$39.3 million, loan from a fellow subsidiary of HK$20 million and interest-bearing bank borrowings of HK$134.4 million which included revolving bank loan facilities of HK$16.9 million and a bank loan of HK$56.0 million which is not contractually due within the next twelve months from 31 March 2023 but classified as current liability due to the bank's overriding rights to demand repayment. Undrawn facilities amounted to HK$52.9 million as at 31 March 2023.

In preparing the consolidated financial statements, the directors of the Company ("**Directors**") have given careful consideration of the liquidity and performance of the Group, 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 projection prepared by management which covers a period of not less than twelve months from the date of the financial statements. 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. the successful roll over of the revolving bank loan facilities of HK$16.9 million with similar terms and that the loan of HK$56.0 million will be paid according to the contractual repayment schedule notwithstanding the rights to demand clause in these facilities;

3. the availability of new banking facilities and unutilised credit facilities of the Group which may be drawn as and when needed;

4. the ability of the Group to comply with the bank loan covenants in the coming twelve months from 31 March 2023; and

5. the confirmation from Chime Corporation Limited, the ultimate holding company of the Group's major shareholders, on its intention to provide financial support, for the continuing operations of the Group so as to enable the Group to meet all its liabilities and obligations as and when they fall due and to enable the Group to continue its business for at least twelve months from 31 March 2023.

Based on the cash flow projections and taking into account reasonably possible changes to the cash flow assumptions in the cash flow projections, 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 2023. Accordingly, the Directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments

The adoption of these amendments to standards does not have any significant effect on the results and financial position of the Group.

(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 2023 and have not been early adopted by the Group:

Amendments to HKAS 1 (1)	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1 (2)	Non-current Liabilities with Covenants
HKFRS 17 (1)	Insurance Contracts
Hong Kong Interpretation 5 (Revised) (2)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan
Amendments to HKAS 1 and HKFRS Practice Statement 2 (1)	Disclosure of Accounting Policies
Amendments to HKAS 8 (1)	Definition of Accounting Estimates
Amendments to HKAS 12 (1)	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKFRS 10 and HKAS 28 (3)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2023
(2) Effective for annual periods beginning 1 January 2024
(3) Effective date 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, including the sale of related goods to deliver such 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 2023 and 2022.

Information about a major customer

Revenue of HK$111,501,000 was derived from the Hong Kong Government under the Enhanced Bought Place Scheme ("**EBPS**") (2022: HK$110,509,000), which amounted to more than 10% of the Group's revenue for the year ended 31 March 2023.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Rendering of senior care services	**233,657**	237,276
Sale of elderly home related goods	**31,612**	30,473
	265,269	267,749
Other income		
Bank interest income	**33**	–
Rental income	**666**	628
COVID-19 related rent concession	**3,910**	–
	4,609	628
Gains		
Change in cash surrender value of insurance contract	**117**	110
Change in fair value of financial assets at fair value through profit or loss	**–**	(63)
Others	**–**	270
	117	317
	4,726	945

5. LOSS BEFORE TAX

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

	2023 *HK$'000*	2022 *HK$'000*
Cost of goods and consumables sold	**19,350**	17,850
Amortisation	**806**	806
Depreciation on owned assets	**17,324**	16,473
Depreciation on right-of-use assets — land	**18,644**	18,644
Depreciation on right-of-use assets — buildings	**42,177**	34,960
	78,145	70,077
Less: Amount capitalised	**(14,434)**	(12,830)
	63,711	57,247
Auditor's remuneration		
— Audit service	**1,395**	1,434
— Non-audit service	**380**	381
Staff costs:		
Wages and salaries	**126,821**	121,771
Pension scheme contributions	**3,821**	4,341
Provision for long service payments	**(552)**	538
Share option expenses	**1,521**	968
Directors' remuneration	**3,126**	2,374
	134,737	129,992
Net of:		
Government grants of Employment Support Scheme	**(7,948)**	–
Other government grants#	**(10,870)**	(12,189)
	115,919	117,803
Impairment of amount due from a joint venture	**5,404**	9,910
Impairment of assets classified as held for sale	**–**	5,814
Change in fair value of financial asset at fair value through profit or loss*	**15,227**	63
Change in cash surrender value of insurance contract	**(117)**	(110)
Gain on derecognition of lease	**(4)**	–
Expenses relating to variable lease payments depending on the turnover not included in lease liabilities	**976**	2,111

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.

* The amount for the year ended 31 March 2023 of HK$15,227,000 was disclosed separately in the consolidated statement of profit or loss, while the amount for the year ended 31 March 2022 of HK$63,000 was included in other income and gains, net in the consolidated statement of profit or loss.

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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. Under such regime, the first HK$2,000,000 (2022: 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%.

	2023	2022
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**4,709**	5,594
Under/(over) provision in prior years	**580**	(54)
Deferred	**(2,203)**	781
Total tax charge for the year	**3,086**	6,321

7. DIVIDENDS

No dividend in respect of the year ended 31 March 2023 (2022: Nil) was proposed by the board of Directors.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to the ordinary equity holders of the Company of HK$27,781,000 (2022: HK$20,633,000), and the weighted average number of ordinary shares of 902,880,000 (2022: 902,880,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2023 and 2022 because the Group had no potentially dilutive ordinary shares during 2023 as the share options of the Company were anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2023, property, plant and equipment addition of the Group was HK$145,013,000 (2022: HK$261,626,000) of which right-of-use asset recognised was HK$96,314,000 (2022: HK$204,663,000). At 31 March 2023, the Group's land and buildings with a total carrying amount of HK$598,959,000 (2022: HK$617,313,000) was pledged to secure general banking facilities granted to the Group.

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**10,057**	7,762

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:

	2023	2022
	HK$'000	*HK$'000*
Within one month	**4,247**	2,958
One to two months	**3,352**	3,155
Two to three months	**2,450**	1,001
Over three months	**8**	648
	10,057	7,762

11. GOODWILL

	2023	2022
	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:

	2023	2022
	HK$'000	*HK$'000*
Within one month	**3,088**	1,272

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

13. SHARE CAPITAL

	2023	2022
	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

14. DISPOSAL OF A SUBSIDIARY

The Group owned 51% equity interest in Pine Care Yada Elderly Services Limited ("**Pine Care Yada HK**") which has set up 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 the disposal of 100% interests in Yada PRC from Pine Care Yada HK to Yada HK or its related entities for RMB1 and the provision of funding by the Group to Yada PRC of HK$4.8 million. Accordingly, the assets and liabilities relating to Yada PRC are classified as assets/liabilities held for sale for the year ended 31 March 2022. The disposal was completed in April 2022.

Details of the Group's loss on disposal of Yada PRC for the year ended 31 March 2023 were set out as follows:

	HK$'000
Net liabilities disposed of:	
Assets	
Property, plant and equipment	28,529
Cash and cash equivalents	325
Total assets	28,854
Liabilities	
Other payables and accruals	(3,179)
Lease liabilities	(29,870)
Total liabilities	(33,049)
Non-controlling interests	(605)
Release of exchange reserve upon disposal	(268)
Provision of funding	4,800
Less: proceeds from disposal	–
Release of exchange reserve upon disposal of a subsidiary	(268)

15. EVENT AFTER THE END OF THE REPORTING PERIOD

On 12 April 2023, Besting Holdings Limited (an indirectly wholly owned subsidiary of the Company) entered into lease agreements, as tenant, with a third party in respect of the continued leasing of two of the elderly home centres of which the Group operate, with an aggregate amount of base rent payable of approximately HK$87.5 million. The lease agreements were related to the renewal of existing leases, which expired in February 2023. In the opinion of the Directors, the renewal of the lease agreements is considered an adjusting events. Therefore, right-of-use assets of HK$77.6 million were recognised by the Group as modifications of leases in the consolidated statement of financial position as at 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

The Group's business in Hong Kong mainly comprises eight EA1 RCHEs and two upscale RCHEs in Silverage Collection, namely Pine Care Place in Yuen Long, New Territories and Pine Care Point in Shek Kip Mei, Kowloon. In December 2022, Pine Residence, our new flagship of Silverage Collection in Causeway Bay, Hong Kong Island, has become operational.

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.

Amid the temporary influence posed by the unexpected outbreak of the fifth wave of COVID-19 on the elderly population and the occupancy rate of RCHEs, with the increasing health awareness and demand of senior care services due to the ageing population in Hong Kong, the Group believes that the demand for quality senior care services is still underserved.

Total revenue of the Group remained stable at HK$265.3 million for FY2023 as compared to HK$267.7 million in FY2022, mainly contributed by the satisfactory growth in revenue and occupancy rate of Pine Care Point, which helped offset the decrease in revenue from other RCHEs of the Group.

Average occupancy rate of our eight EA1 RCHEs decreased to 88.9% for FY2023 as compared to 92.7% for FY2022 primarily due to the adverse impact of the COVID-19 pandemic, which resulted in the decrease of revenue by HK$6.9 million to HK$211.8 million in FY2023.

Silverage Collection comprises Pine Care Place in Yoho Mall, Yuen Long; Pine Care Point in Shek Kip Mei; and the newly operated Pine Residence in Causeway Bay. Average occupancy rate of Pine Care Place and Pine Care Point increased by 12.4 percentage points to 71.9% for FY2023 as compared to 59.5% for FY2022, together with the launch of Pine Residence, which resulted in the increase of revenue to HK$53.4 million in FY2023 from HK$45.5 million for FY2022.

For the Group's investment in a joint venture, Patina Wellness Limited ("**Patina Wellness**"), in which the Group holds 51% of its equity interest, an impairment loss was recognised in FY2023.

The landlord of the building named "Patina" (the "**Premises**") and the Group (through Patina Wellness) executed a deed of termination on 29 July 2022 to record their agreement to terminate the tenancy agreement in respect of the leasing of the Premises. For details, please refer to the Company's announcements dated 29 July 2022 and 10 August 2022.

Impairment of amount due from a joint venture of HK$5.4 million has been recognised during FY2023.

Please refer to the section headed "Chairman's Statement" for prospects of the core business and new projects of the Group.

REVIEW OF RESULTS

Although the Group's revenue for FY2023 remained stable amid the challenges posed by the COVID-19 situation, our Core EBITDA (the key senior care services business performance indicator) decreased to HK$47.8 million (FY2022: HK$53.7 million). Such decrease was mainly attributable to the operating loss of Pine Residence during its initial ramp up period. Core EBITDA remained stable excluding the impact of Pine Residence as compared to FY2022.

The increase in recorded loss to HK$27.8 million in FY2023 as compared to the loss of HK$24.0 million recorded for FY2022 was mainly attributed to the increase in finance costs of HK$12.2 million to HK$22.7 million for FY2023 and the non-recurring fair value loss on financial assets through profit or loss of HK$15.2 million recognised in FY2023, partially offset by the non-recurring subsidies of HK$7.9 million received by the Group under the Employment Support Scheme of the Hong Kong SAR Government and the absence of share of loss of a joint venture in FY2023 which amounted to HK$13.3 million in FY2022.

The reconciliation of Core EBITDA and EBITDA to loss for the year were as follows. Decrement mainly due to loss incurred in Pine Residence.

	FY2023	FY2022
	HK$'000	*HK$'000*
Loss for the year	**(27,781)**	(23,989)
Finance costs	**22,689**	10,477
Income tax expenses	**3,086**	6,321
Depreciation	**63,711**	57,247
Amortisation	**806**	806
EBITDA	**62,511**	50,862
Share of interests and depreciation of a joint venture, and effect of adoption of HKFRS 16	**–**	10,716
Other income and gains	**(4,726)**	(945)
Excluding:		
Effect of adoption of HKFRS 16 on property rental and related expenses on subsidiaries	**(29,180)**	(25,988)
Adjusted by:		
Non-recurring government grant of Employment Support Scheme	**(7,948)**	–
Change in fair value of financial assets at fair value through profit of loss	**15,227**	–
Impairment of amount due from a joint venture	**5,404**	9,910
Non-recurring legal and professional fee on mandatory unconditional cash offers	**1,060**	–
Impairment of assets classified as held for sale	**–**	5,814
Share option expenses	**5,221**	3,322
Release of exchange reserve upon disposal of a subsidiary	**268**	–
Core EBITDA	**47,837**	53,691
Core EBITDA to Revenue	**18.0%**	20.1%

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 11.3% to HK$63.7 million for FY2023 from HK$57.2 million in FY2022 mainly due to the depreciation of right-of-use assets of Pine Residence.

Staff costs, multidisciplinary fees and related expenses

Staff costs remained as the largest component of our operating expenses. The Group is dedicated to improve our service quality despite the unfavourable impact exerted by the COVID-19 pandemic, especially on the healthcare industry. Our gross staff costs, before netting off with government grants of HK$10.9 million for hiring specialised professionals for our senior residents with dementia and infirmary and HK$7.9 million under the Employment Support Scheme (FY2022: HK$12.2 million for dementia and infirmary and nil under the Employment Support Scheme), increased by approximately 3.7% to HK$134.7 million for FY2023. It was mainly attributable to general salary increment as a result of the tight manpower situation in the healthcare industry during FY2023.

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 17.9% to HK$12.6 million in FY2023 from HK$15.3 million in FY2022, primarily due to the reduction of manpower recruited through employment agencies. More care workers have been employed by the Group directly, providing higher stability and quality of our workforce.

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 remained stable at HK$9.4 million in FY2023 as compared to HK$9.5 million in FY2022.

Other operating expenses

Other operating expenses in FY2023 mainly consisted of (i) legal and professional fees; (ii) insurance expenses; (iii) advertising and marketing expenses; (iv) corporate expenses; and (v) various operating expenses. It decreased by approximately 8.7% which was mainly due to lower advertising and marketing expenses incurred for FY2023.

Impairment of amount due from a joint venture

On 29 July 2022, a deed of termination to record the agreement to terminate the tenancy agreement of the joint venture was executed. The Group does not expect the amount due from a joint venture will be repaid with the cessation of its operation and an impairment of HK$5.4 million has been made in FY2023.

Change in fair value of financial assets at fair value through profit or loss

For the investment in unlisted equity securities, the Group considered the chance of recovering the investment in the foreseeable future is remote based on latest development of the underlying company, hence fair value loss of HK$15.5 million was made during the year.

Finance costs

Our finance costs mainly represent interest expenses on bank loans and interest elements of lease payments. The finance costs increased significantly to HK$22.7 million in FY2023 from HK$10.5 million in FY2022, due to the surge in interest rates during the year.

Income tax expense

Our income tax expense generally represents Hong Kong profits tax of 16.5% on estimated assessable profits arising in Hong Kong. The income tax expense decreased to HK$3.1 million in FY2023 from HK$6.3 million in FY2022, which was primarily attributable to lower assessable profits.

Loss 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$27.8 million in FY2023 as compared to loss of HK$20.6 million in FY2022.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net assets

Our net assets amounted to HK$160.6 million and HK$183.5 million as at 31 March 2023 and 31 March 2022 respectively.

For illustrative purposes, by including the revaluation surplus of the land and buildings of the Group of HK$852.3 million, being the premium of the total valuation of HK$1,451.3 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 2023, over the carrying amount of the land and buildings of the Group of HK$599.0 million as at 31 March 2023, the adjusted consolidated net assets of the Group would have been HK$1,012.9 million as at 31 March 2023.

Illustrative Adjusted Consolidated Net Assets	**FY2023** ***HK$'000***	FY2022 *HK$'000*
Net assets	**160,588**	183,485
Illustrative revaluation surplus of the land and buildings of the Group *(Note)*	**852,341**	917,961
Adjusted consolidated net assets	**1,012,929**	1,101,446

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 to facilitate a better understanding of the users of the financial statements.

Current ratio

As at 31 March 2023, our cash and bank balances amounted to HK$23.4 million (as at 31 March 2022: HK$29.1 million) and were mainly denominated in Hong Kong dollars; and our net current liabilities were HK$184.8 million (net current liabilities as at 31 March 2022: HK$155.3 million), save as disclosed in note 2.1 in this announcement. The current ratio, being current assets over current liabilities, remained at approximately 0.2 time as at 31 March 2023 (as at 31 March 2022: 0.2 time).

Maturity profile

As at 31 March 2023, our interest-bearing bank borrowings amounted to HK$589.6 million, among which, assuming the aforesaid term loan would be repayable according to the repayment schedule, HK$78.4 million, HK$49.1 million, HK$388.5 million, and HK$73.6 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 2023 and 31 March 2022, 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.

Loan from a fellow subsidiary amounted to HK$20.0 million would be repayable within one year on demand.

Gearing ratio

Gearing ratio is measured by the net debt (representing interest-bearing bank borrowings and loan from a fellow subsidiary, net of cash and cash equivalents) over total assets (representing current assets and non-current assets). As at 31 March 2023, our gearing ratio was 52.9% as compared with the gearing ratio of 50.9% as at 31 March 2022. The increase was mainly attributable to increase in relation to debt financing for Pine Residence in FY2023.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during FY2023. The capital of the Company comprises ordinary shares and other reserves.

CAPITAL EXPENDITURE

Total capital expenditure during FY2023 was HK$39.3 million (FY2022: HK$40.2 million), mainly for renovation works of Pine Residence and our care and attention homes.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Except as disclosed in note 14 in this announcement, there was no material acquisition or disposal of subsidiaries, associates and joint ventures undertaken by the Group during FY2023.

SIGNIFICANT INVESTMENTS HELD

During FY2023, the Group did not have any significant investments held.

COMMITMENT

As at 31 March 2023, the Group did not have any commitments.

	FY2023	FY2022
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**–**	6,011

PLEDGE OF ASSETS

As at 31 March 2023, land and buildings and construction in progress with an aggregate carrying amount of HK$599.0 million (31 March 2022: HK$617.3 million), and investment in an insurance contract with carrying amount of HK$3.5 million (as at 31 March 2022: HK$3.4 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 2023.

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 2023. 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 2023.

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 2023, 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 (FY2022: HK$3.7 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 2023, the Group had a total of 488 full-time and part-time employees (as at 31 March 2022: 504 employees). Our staff costs (excluding government grants) were HK$134.7 million in FY2023 (FY2022: HK$130.0 million).

The Group strives to ensure 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.

EVENT AFTER THE END OF THE REPORTING PERIOD

From 31 March 2023 to the date of this announcement, save as disclosed in note 15 in this announcement, there was no important event affecting the Group.

ANNUAL GENERAL MEETING

The Company's annual general meeting will be held on Tuesday, 22 August 2023 at 2:30 p.m. (the "**2023 AGM**"). A notice convening the 2023 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 FY2023 (FY2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Thursday, 17 August 2023 to Tuesday, 22 August 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 16 August 2023.

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 Part 2 of Appendix 14 to the Listing Rules during FY2023, except for code provision F.2.2 which stipulates that the chairman of the Board (the "**Chairman**") should attend the annual general meetings of the issuer.

Mr. Tang Yiu Sing, the then Chairman of the Company, was unable to attend the annual general meeting of the Company held on 23 August 2022 due to other business engagement. However, the Chairman had arranged the chief executive officer and other Directors to attend the meeting and communicate with shareholders.

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 FY2023 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 FY2023. 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 of the Group for FY2023.

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 FY2023.

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 FY2023 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
Choi Wun Hing Donald
Chairman and Non-executive Director

Hong Kong, 21 June 2023

As at the date of this announcement, the Board comprises ten Directors, namely, Mr. Choi Wun Hing Donald, Mr. Wong Hung Han, Mr. Tsang Tin For, Mr. Wu Tat Ming Damein and Ms. Hui Wai Man as non-executive Directors; Mr. Chan Yip Keung as 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.