松齡護老集團
Pine Care Group

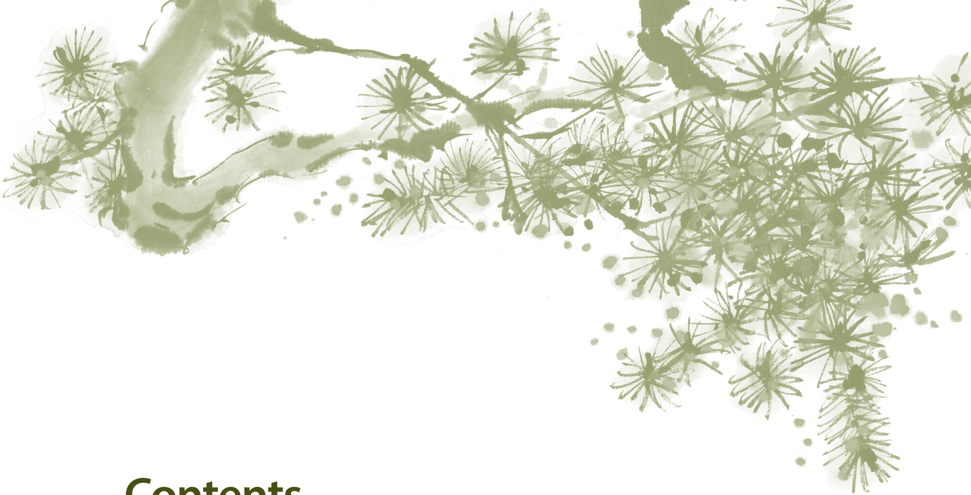
Pine Care Group Limited
松齡護老集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1989

2018
Interim Report
中期報告

敬老如親



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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Yim Ting Kwok *(Chairman)*
Ms. Cho Wing Yin
Mr. Yim Billy Pui Kei *(Chief Executive Officer)*
Mr. Chan Yip Keung *(Chief Financial Officer)*
Mr. Yim Edwin Pui Hin

Non-executive directors

Mr. Ng Kwok Fu Alex
Mr. Ma Wing Wah
Mr. Lam Yat Hon

Independent non-executive directors

Dr. Wong Ping San John
Mr. Liu Kwong Sang
Dr. Liu Yuk Shing
Mr. Liu Walter Joseph

AUDIT COMMITTEE

Mr. Liu Kwong Sang *(Chairman)*
Dr. Wong Ping San John
Dr. Liu Yuk Shing
Mr. Liu Walter Joseph

NOMINATION COMMITTEE

Mr. Yim Ting Kwok *(Chairman)*
Dr. Wong Ping San John
Dr. Liu Yuk Shing

REMUNERATION COMMITTEE

Dr. Wong Ping San John *(Chairman)*
Mr. Liu Walter Joseph
Mr. Yim Billy Pui Kei

AUTHORISED REPRESENTATIVES

Mr. Yim Billy Pui Kei
Mr. Chan Yip Keung

COMPANY SECRETARY

Mr. Chan Yip Keung

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

G/F, 1 Koon Wah Lane,
68–72 Yuk Wah Street,
Tsz Wan Shan,
Kowloon,
Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
PO Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive, PO Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

AUDITOR

Ernst & Young
22nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Corporate Information

LEGAL ADVISER

Deacons (As to Hong Kong Law)
5th Floor, Alexandra House,
18 Chater Road,
Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower,
3 Connaught Road Central,
Central, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central,
Hong Kong

STOCK CODE

1989

COMPANY WEBSITE

www.pinecaregroup.com

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of Pine Care Group Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six-month period ended 30 September 2018.

HALF YEAR IN REVIEW

Our business has performed well and has delivered a growth in core EBITDA*(Note)* of approximately 28.5% to HK$17.1 million for the six-month period ended 30 September 2018, compared to HK$13.3 million for the same period last year.

Core Business

The occupancy rate of our eight EA1*(Note)* care and attention homes remains robust, averaging at approximately 94.8% for the six-month period ended 30 September 2018, compared to approximately 92.4% for the same period last year. Operationally, the industry-wide manpower shortage remains as our biggest challenge ahead. It is expected that the labour costs will continue to increase more rapidly than in previous years, causing downward pressure on our profit margins.

In the annual report of the Company for the year ended 31 March 2018, I reported that one of our major areas of focus is to execute our expansion strategy, which includes (i) the luxury segment in Hong Kong; (ii) Mainland China; and (iii) the Integrated Senior Wellness Hub. I am pleased to report that we have made a significant headway in bringing these concepts into reality.

It takes time for a ramp-up of the occupancy rates of these new projects which may become a source for dragging on our bottom line in the short-term. Looking ahead, we are extremely confident in the long-term prospects of our new projects as we expect the trend of increasing market demand for quality elderly care services to continue in the foreseeable future.

Note: "Enhanced Bought Place Scheme" or "EBPS": the scheme under which the Social Welfare Department of the Hong Kong 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 the 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 is 9.5 square metres.

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

"Core EBITDA" represents EBITDA before other income and gains.

BUSINESS OUTLOOK

Luxury Segment — Pine Care Place

Operation of our new care and attention home, Pine Care Place, located at Yoho Mall I (Extension) in Yuen Long, has commenced since June 2018. The new care and attention home has a floor area of 3,105 square metres (equivalent to approximately 33,424 square feet) and accommodates 68 residential care places. Pine Care Place is positioned as an upscale care and attention home. In addition to a higher standard of accommodation and a higher labour ratio than the EA1 standards, Pine Care Place also offers more individualised services and lifestyle-oriented facilities, including a mini-cinema, hair salon, library, indoor garden, and a meditation room.

As of this writing, we have received very positive feedback from the market and have already achieved a double-digit occupancy rate in the first few months of the operation of Pine Care Place.

Dementia Specialist — Pine Care Point

The renovation of our second luxury care and attention home, Pine Care Point, is well underway. We expect to begin the operation of Pine Care Point in the first half of 2019.

Pine Care Point is located at Shop G1B, G/F, whole 1/F to 3/F, Main Town Plaza, 223-239 Nam Cheong Street, Kowloon. The property where Pine Care Point is situated has a gross floor area of approximately 43,400 square feet and the target company owning such property was acquired by the Group in January 2018. It is expected that Pine Care Point will be positioned as a luxury care and attention home with a specialisation in dementia care. The Group believes that the development of Pine Care Point will enable us to establish our market leadership position in the burgeoning upscale market segment, while at the same time to address the strong growth in demand for specialised dementia care. Designed for approximately 102 individual rooms, Pine Care Point is expected to offer same quality services and similar standard of accommodation as Pine Care Place, including lifestyle-oriented facilities such as a hair salon, a mini-cinema, and a library, as well as facilities that are specifically designed and suited for dementia patients.

Mainland China — Pine Care Yada

Our projects in Mainland China, which include Pine Care Yada (Wuzhen) Elderly Centre and Pine Care Yada (Wuzhen) Day Care Centre, are expected to commence operations in the first half of 2019. These projects involve strategic collaborations with Yada International (HK) Limited under the brand "Pine Care Yada". Both centres are located inside Wuzhen Graceland, a large scale healthcare, aged-care and leisure community which consists of over 5,000 households, in Wuzhen, Zhejiang.

Pine Care Yada (Wuzhen) Elderly Centre, with a total area of approximately 77,400 square feet, is designed to accommodate 83 residential care places while Pine Care Yada (Wuzhen) Day Care Centre, with an area of approximately 2,800 square feet, is designed to provide day time services to the residents of Wuzhen Graceland such as social activities, customised dietary menus designed by nutritionists to cater for the elderly with special dietary needs due to specific health conditions, treatments for bed sore, one-on-one training targeting on the elderly with dementia, group training for the elderly with dementia and home care services.

Integrated Senior Wellness Hub — Patina Wellness

Patina Wellness is a strategic joint venture, co-developed and co-operated with Utopia Limited ("Utopia"), a company which is 100%-owned by Mr. Tang Yiu Sing, the sole shareholder of Stan Group Limited. The strategic cooperation with Utopia leverages on Utopia team's expertise and experience on mixed-use property project development and hospitality services, while at the same time, capitalises on our experience in elderly care and nursing, enabling the Group to expand its operation in the multifaceted upscale community for the elderly.

Patina Wellness, with a total floor area of approximately 84,000 square feet, is located at 18 Junction Road, Kowloon City, Hong Kong and aims at serving various needs of the elderly by integrating serviced apartment for the elderly, residential care for the elderly, medical, nursing, rehabilitation, dining, housekeeping as well as leisure, recreational and community services under the same roof.

The serviced apartments for the elderly at Patina Wellness have commenced operation since June 2018. So far, we have received very positive feedback from the market, as we have achieved a double digit occupancy rate within several months after the commencement.

In addition to the serviced apartments for the elderly, other elements of the Integrated Senior Wellness Hub include a care and attention home, a multidisciplinary medical clinic, a rehabilitation centre, and a health-focused restaurant. Renovation of these facilities is currently underway. It is expected that operations will commence in the first half of 2019.

Chairman's Statement

APPRECIATION

As always, I would like to thank our shareholders, staff members, customers, bankers and business partners for their continued trust and support. We are pleased with our execution of our expansion strategy so far, and we are excited by the opportunities that lie ahead.

Yim Ting Kwok
Chairman and executive director

22 November 2018

BUSINESS REVIEW

Please refer to the section headed "Chairman's Statement" for a discussion of the core business of the Group for the six-month period ended 30 September 2018 and the prospects of new projects and market segments of the Group.

An analysis of the revenue and operating segment information for the six-month period ended 30 September 2018 is set out in note 6 and note 5 to the condensed consolidated interim financial statements, respectively.

FINANCIAL REVIEW

Revenue

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

Revenue increased by approximately 7.0% to HK$92.6 million for the six-month period ended 30 September 2018 from HK$86.6 million for the same period last year. The increase was mainly due to the combined effects of (i) commencement of operation of Pine Care Place since June 2018; and (ii) an increase in average monthly residential fee of our eight EA1 care and attention homes.

Other income and gains

Other income and gains decreased by approximately 96.5% to HK$0.2 million for the six-month period ended 30 September 2018 from HK$6.1 million for the same period last year. Other income and gains for the six-month period ended 30 September 2017 were mainly contributed by the gain on disposal of a subsidiary of HK$5.9 million which was one-off in nature.

Amortisation

Amortisation represents amortisation charges for our intangible assets that were recognised upon completion of acquisition of a subsidiary in April 2017 and for our prepaid land lease payments of a warehouse. Amortisation increased by approximately 6.0% to HK$1.6 million for the six-month period ended 30 September 2018 from HK$1.5 million for the same period last year. The increase was mainly due to the commencement of amortisation of prepaid land lease payments of a warehouse in the reporting period.

Depreciation

Depreciation represents depreciation charges for the Group's property, plant and equipment which comprise land and buildings, leasehold improvements, furniture, fixtures and other equipment. Depreciation increased by approximately 8.2% to HK$4.3 million for the six-month period ended 30 September 2018 from HK$3.9 million for the same period last year. The increase in depreciation was primarily due to the depreciation charge on leasehold improvement of Pine Care Place upon its commencement of operation.

Staff costs

Staff costs remained to be 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$4.8 million for the six-month period ended 30 September 2018 and HK$5.4 million for the same period last year, respectively, for hiring specialised professionals for our elderly residents with dementia or infirmary, increased by approximately 2.1% to HK$49.4 million for the six-month period ended 30 September 2018 from HK$48.4 million for the same period last year. The increase was primarily contributed by an increase in the average headcounts with the commencement of operation of Pine Care Place, and a general salary increment.

Property rental and related expenses

Our property rental and related expenses primarily represent rental payments under operating leases, government rent and rates and management fees in respect of our leased properties. Property rental and related expenses increased by approximately 5.4% to HK$9.1 million for the six-month period ended 30 September 2018 from HK$8.7 million for the same period last year. The increase was primarily contributed by the property rental and related expenses of Pine Care Place.

Food and beverage costs

Our food and beverage costs represent costs of all food ingredients and beverages used for the provision of meals to our residents. The costs increased by approximately 13.1% to HK$3.9 million for the six-month period ended 30 September 2018 from HK$3.4 million for the same period last year. The increase in food and beverage costs was mainly contributed by the commencement of operation of Pine Care Place and the increase in overall average occupancy rate.

Utility expenses

Our utility expenses represent costs of water and electricity for our care and attention homes and office. The costs increased by approximately 2.6% to HK$4.2 million for the six-month period ended 30 September 2018 from HK$4.0 million for the same period last year. The increase in utility expenses was mainly due to the commencement of operation of Pine Care Place.

Supplies and consumables

Our supplies and consumables represent costs of medical consumable materials used for our operation. The costs decreased by approximately 4.3% to HK$3.1 million for the six-month period ended 30 September 2018 from HK$3.3 million for the same period last year. The decrease in supplies and consumables was mainly due to the strengthened supply chain management in the procurement processes.

Repair and maintenance

Our repair and maintenance expenses are incurred for daily repair and maintenance works in our care and attention homes to ensure the quality and safety of the premises and facilities. The expenses decreased by approximately 26.2% to HK$0.9 million for the six-month period ended 30 September 2018 from HK$1.2 million for the same period last year. The decrease in repair and maintenance expenses was primarily driven by completion of certain initiatives for improving facilities of our care and attention homes in the reporting period.

Other operating expenses

Our other operating expenses primarily consist of (i) 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; (ii) insurance policies for all of our care and attention homes; (iii) cleaning expenses for our care and attention homes; (iv) legal and professional fees; (v) corporate expenses; and (vi) various operating expenses.

The expenses remained stable at HK$9.6 million for the six-month period ended 30 September 2018 as compared with HK$9.7 million for the same period last year.

Finance costs

Our finance costs mainly represent interest expenses on bank loans. The finance costs decreased by approximately 34.2% to HK$1.1 million for the six-month period ended 30 September 2018 from HK$1.7 million for the same period last year. The decrease in finance costs was primarily due to the repayment of bank loans of approximately HK$9.2 million during the period under review.

Income tax expense

Our income tax expense represents Hong Kong profits tax of 16.5% on estimated assessable profits arising in Hong Kong. The income tax expense increased by approximately 24.5% to HK$1.5 million for the six-month period ended 30 September 2018 from HK$1.2 million for the same period last year. The increase in income tax expense was primarily attributable to the increased current tax due to increased assessable profits and a decrease in deferred tax credit.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company decreased by approximately 20.1% to HK$8.8 million for the six-month period ended 30 September 2018 from HK$11.0 million for the same period last year. The decrease was primarily due to the decrease in other income and gains since the gain on disposal of a subsidiary of HK$5.9 million for the same period last year was one-off in nature, which is partially offset by the increase in core EBITDA of HK$3.8 million during the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

Our net assets amounted to HK$208.1 million and HK$211.1 million as at 31 March 2018 and 30 September 2018 respectively. The increase in net assets was primarily due to the combined effects of profitable operation for the six-month period ended 30 September 2018 and the payment of final dividend for the year ended 31 March 2018 in August 2018.

As at 30 September 2018, our cash and bank balances amounted to approximately HK$42.0 million (31 March 2018: approximately HK$71.8 million) and were denominated in Hong Kong dollars; and our net current assets were approximately HK$3.5 million (31 March 2018: approximately HK$44.2 million). The current ratio, being current assets over current liabilities, was approximately 1.1 times as at 30 September 2018, which decreased from approximately 2.2 times as at 31 March 2018, mainly driven by the investment in a joint venture and capital expenditure incurred for development of Pine Care Point.

As at 30 September 2018, our interest-bearing bank borrowings amounted to approximately HK$539.2 million (31 March 2018: approximately HK$531.6 million), among which HK$29.0 million, HK$24.6 million, HK$108.2 million, and HK$377.4 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 (31 March 2018: HK$18.3 million, HK$23.9 million, HK$109.1 million, and HK$380.3 million respectively). As at 31 March 2018 and 30 September 2018, 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 and prepaid land lease payments of the Group.

Gearing ratio is measured by the net debt (representing interest-bearing bank borrowings net of cash and cash equivalents) over total assets. As at 30 September 2018, our gearing ratio was 62.8% as compared with the gearing ratio of 59.0% as at 31 March 2018.

CAPITAL STRUCTURE

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

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2018, the Group did not have any significant investments held.

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 period under review.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total of 452 full-time and part-time employees (31 March 2018: 430 employees). Our staff costs (excluding government grants) for the six-month period ended 30 September 2018 were HK$49.4 million (six-month period ended 30 September 2017: HK$48.4 million).

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

In addition, the Group also adopted a share option scheme (the "Share Option Scheme") for the purpose of motivating eligible participants to optimise their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain an on-going business relationship with such eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

PLEDGE OF ASSETS

As at 30 September 2018, land and buildings and construction in progress with an aggregate carrying amount of HK$207.4 million (31 March 2018: HK$190.7 million), prepaid land lease payments of HK$371.0 million (31 March 2018: HK$372.5 million) and financial assets at fair value through profit or loss with carrying amount of HK$3.0 million (31 March 2018: HK$3.0 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 30 September 2018.

FOREIGN EXCHANGE EXPOSURE

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

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 30 September 2018. 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 30 September 2018 and 31 March 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

(A) Long position in ordinary shares of the Company

Name of director	Capacity/nature of interest	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Yim Ting Kwok	Interest held by controlled corporations	604,800,000 (Note)	66.99%
Ms. Cho Wing Yin	Interest held by controlled corporations	604,800,000 (Note)	66.99%
Mr. Yim Billy Pui Kei	Interest held by controlled corporations	604,800,000 (Note)	66.99%
	Beneficial owner	320,000	0.03%
		605,120,000	67.02%
Mr. Chan Yip Keung	Beneficial owner	1,888,000	0.21%
Mr. Yim Edwin Pui Hin	Interest held by controlled corporations	604,800,000 (Note)	66.99%
Mr. Ng Kwok Fu Alex	Interest held by controlled corporations	604,800,000 (Note)	66.99%
Mr. Ma Wing Wah	Beneficial owner	480,000	0.05%

Note: These shares are held by Pine Active Care Limited ("Pine Active Care"), which is owned as to 90% by Silverage Pine Care Limited ("Silverage Pine Care") and 10% by Silverage Pillar Limited ("Silverage Pillar"). Silverage Pine Care is in turn owned as to an aggregate of 74.25% by Mr. Yim Ting Kwok, Ms. Cho Wing Yin, Mr. Ng Kwok Fu Alex, Ms. Suen Mi Lai Betty (spouse of Mr. Ng Kwok Fu Alex), Mr. Yim Billy Pui Kei, Mr. Yim Edwin Pui Hin and Ms. Chu Lai King (senior management of the Company); whereas Silverage Pillar is in turn owned as to an aggregate of 93.58% by Mr. Yim Ting Kwok and Mr. Ng Kwok Fu Alex. Therefore, Silverage Pine Care, Silverage Pillar, Mr. Yim Ting Kwok, Ms. Cho Wing Yin, Mr. Ng Kwok Fu Alex, Ms. Suen Mi Lai Betty, Mr. Yim Billy Pui Kei, Mr. Yim Edwin Pui Hin and Ms. Chu Lai King are deemed to be interested in the shares of the Company held by Pine Active Care pursuant to Part XV of the SFO.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 September 2018.

(B) Long position in the shares of associated corporations of the Company

Name of associated corporation	Name of director	Capacity/nature of interest	Number of shares	Approximate percentage* of shareholding in the associated corporation
Silverage Pine Care	Mr. Yim Ting Kwok	Beneficial owner	32,584,558	43.00%
		Interest of spouse	4,993,649	6.59%
		Interest held jointly with another person	18,685,316	24.66%
			56,263,523	74.25%
	Ms. Cho Wing Yin	Beneficial owner	4,993,649	6.59%
		Interest of spouse	32,584,558	43.00%
		Interest held jointly with another person	18,685,316	24.66%
			56,263,523	74.25%
	Mr. Yim Billy Pui Kei	Beneficial owner	4,826,657	6.37%
		Interest held jointly with another person	51,436,866	67.88%
			56,263,523	74.25%
	Mr. Yim Edwin Pui Hin	Beneficial owner	139,300	0.19%
		Interest held jointly with another person	56,124,223	74.06%
			56,263,523	74.25%

Name of associated corporation	Name of director	Capacity/nature of interest	Number of shares	Approximate percentage* of shareholding in the associated corporation
Silverage Pine Care (Continued)	Mr. Ng Kwok Fu Alex	Beneficial owner	7,491,591	9.89%
		Interest of spouse	550,306	0.73%
		Interest held jointly with another person	48,221,626	63.63%
			56,263,523	74.25%
	Mr. Lam Yat Hon	Beneficial owner	3,502,826	4.62%
	Mr. Ma Wing Wah	Beneficial owner	772,691	1.02%
Pine Active Care	Mr. Yim Ting Kwok	Interest held by controlled corporations	100	100%
	Ms. Cho Wing Yin	Interest held by controlled corporation	90	90%
		Interest of spouse	10	10%
			100	100%
	Mr. Yim Billy Pui Kei	Interest held by controlled corporation	90	90%
	Mr. Yim Edwin Pui Hin	Interest held by controlled corporation	90	90%
	Mr. Ng Kwok Fu Alex	Interest held by controlled corporations	100	100%

Note: Mr. Yim Ting Kwok, Ms. Cho Wing Yin (spouse of Mr. Yim Ting Kwok), Mr. Ng Kwok Fu Alex, Ms. Suen Mi Lai Betty (spouse of Mr. Ng Kwok Fu Alex), Mr. Yim Billy Pui Kei, Mr. Yim Edwin Pui Hin and Ms. Chu Lai King (senior management of the Company) held an aggregate of 74.25% of the issued share capital of Silverage Pine Care, which in turn held 90% of the issued share capital of Pine Active Care. The remaining 10% of the issued share capital of Pine Active Care is held by Silverage Pillar, which in turn owned as to an aggregate of 93.58% by Mr. Yim Ting Kwok and Mr. Ng Kwok Fu Alex.

As Pine Active Care holds more than 50% of the issued share capital of the Company and Silverage Pine Care holds more than 50% of the issued share capital of Pine Active Care, Pine Active Care and Silverage Pine Care are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares involved divided by the number of issued shares of the associated corporation as at 30 September 2018.

Save as disclosed above, as at 30 September 2018, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, the following parties (other than the directors or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of shareholder	Capacity/nature of interest	Number of shares	Approximate percentage* of shareholding in the Company
Pine Active Care	Beneficial owner	604,800,000 (Note 1)	66.99%
Silverage Pine Care	Interest held by controlled corporation	604,800,000 (Note 1)	66.99%
Silverage Pillar	Interest held by controlled corporation	604,800,000 (Note 1)	66.99%
Ms. Suen Mi Lai Betty	Interest held by controlled corporation	604,800,000 (Note 1)	66.99%
Ms. Chu Lai King	Interest held by controlled corporation	604,800,000 (Note 1)	66.99%
Ms. Cheung Sui Wa Scarlett	Interest of spouse	605,120,000 (Note 2)	67.02%
Ms. Lock Hiu Yan Crystal	Interest of spouse	604,800,000 (Note 3)	66.99%
Yada International (HK) Limited	Beneficial owner	85,536,000	9.47%

Notes:

1. These shares are held by Pine Active Care, which is owned as to 90% by Silverage Pine Care and 10% by Silverage Pillar. Silverage Pine Care is in turn owned as to an aggregate of 74.25% by Mr. Yim Ting Kwok, Ms. Cho Wing Yin, Mr. Ng Kwok Fu Alex, Ms. Suen Mi Lai Betty (spouse of Mr. Ng Kwok Fu Alex), Mr. Yim Billy Pui Kei, Mr. Yim Edwin Pui Hin and Ms. Chu Lai King (senior management of the Company); whereas Silverage Pillar is in turn owned as to an aggregate of 93.58% by Mr. Yim Ting Kwok and Mr. Ng Kwok Fu Alex. Accordingly, Silverage Pine Care, Silverage Pillar, Ms. Suen Mi Lai Betty and Ms. Chu Lai King are deemed to be interested in these shares pursuant to Part XV of the SFO.

2. Ms. Cheung Sui Wa Scarlett is deemed to be interested in these shares of the Company through the interest of her spouse, Mr. Yim Billy Pui Kei. The relevant interest of Mr. Yim Billy Pui Kei was disclosed in the above section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures”.

3. Ms. Lock Hiu Yan Crystal is deemed to be interested in these shares of the Company through the interest of her spouse, Mr. Yim Edwin Pui Hin. The relevant interest of Mr. Yim Edwin Pui Hin was disclosed in the above section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures”.

* The percentage represents the number of ordinary shares involved divided by the number of the Company’s issued shares as at 30 September 2018.

Save as disclosed above, as at 30 September 2018, no person, other than the directors whose interests are set out in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 23 January 2017. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

During the six-month period ended 30 September 2018 and up to the date of this report, no share options were granted by the Company under the Share Option Scheme.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 September 2018.

CORPORATE GOVERNANCE

The Board believes that effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and improve the interests of the shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is of the view that, during the period under review, the Company has complied with all the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code, as set out in Appendix 10 to the Listing Rules, as its code of conduct regarding directors' securities transactions in relation to the Company's securities. Having made specific enquiry to all the directors of the Company, all of them confirmed that they had complied with the Model Code throughout the six-month period ended 30 September 2018.

WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company for the period under review.

AUDIT COMMITTEE

The audit committee of the Company (comprising the existing independent non-executive directors of the Company, namely Mr. Liu Kwong Sang, Dr. Wong Ping San John, Dr. Liu Yuk Shing and Mr. Liu Walter Joseph) has reviewed with the management the accounting standards and practices that the Group adopted, and discussed matters related to risk management, internal control and financial reporting. The audit committee has discussed and reviewed with the management the Company's unaudited condensed consolidated financial statements for the six-month period ended 30 September 2018 and is of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

INTERIM DIVIDEND

On 22 November 2018, the Board resolved to declare an interim dividend of HK0.84 cent per ordinary share, representing a total of approximately HK$7,584,000, for the year ending 31 March 2019. The interim dividend will be paid on 28 December 2018 to the Company's shareholders whose names appear on the register of members of the Company at the close of business on 12 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the said interim dividend, the register of members of the Company will be closed from 10 December 2018 to 12 December 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the said interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 7 December 2018.

Condensed Consolidated Statement of Profit or Loss

For the six-month period ended 30 September 2018

	Notes	For the six-month period ended 30 September **2018** **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
REVENUE	*6*	**92,574**	86,551
Other income and gains	*6*	**214**	6,064
Depreciation		**(4,250)**	(3,929)
Amortisation		**(1,639)**	(1,546)
Staff costs		**(44,670)**	(42,971)
Property rental and related expenses		**(9,147)**	(8,676)
Food and beverage costs		**(3,883)**	(3,432)
Utility expenses		**(4,150)**	(4,045)
Supplies and consumables		**(3,119)**	(3,258)
Repair and maintenance		**(902)**	(1,223)
Other operating expenses		**(9,637)**	(9,669)
Finance costs	*8*	**(1,114)**	(1,693)
PROFIT BEFORE TAX	*7*	**10,277**	12,173
Income tax expense	*9*	**(1,469)**	(1,180)
PROFIT FOR THE PERIOD		**8,781**	10,993
Attributable to:			
Owners of the parent		**8,786**	10,993
Non-controlling interests		**(5)**	–
		8,781	10,993
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
Basic and diluted		**HK0.97 cent**	HK1.22 cents

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2018

	For the six-month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**8,781**	10,993
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains on retirement benefit obligation	**786**	752
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(915)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(129)**	752
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,652**	11,745
Attributable to:		
Owners of the parent	**8,657**	11,745
Non-controlling interests	**(5)**	–
	8,652	11,745

Condensed Consolidated Statement of Financial Position

30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**285,159**	252,650
Prepaid land lease payments	*13*	**387,984**	389,592
Intangible assets		**10,825**	12,371
Investment in a joint venture		**11,730**	–*
Prepayments, deposits and other receivables		**2,913**	3,041
Goodwill		**33,833**	33,833
Financial assets at fair value through profit or loss	*15*	**3,031**	2,983
Deferred tax assets		**3,354**	3,084
Total non-current assets		**738,829**	697,554
CURRENT ASSETS			
Due from a joint venture		**2,259**	435
Trade receivables	*14*	**1,694**	867
Prepayments, deposits and other receivables		**6,613**	9,161
Cash and cash equivalents		**42,041**	71,778
Total current assets		**52,607**	82,241
CURRENT LIABILITIES			
Trade payables	*16*	**1,790**	1,545
Other payables and accruals		**15,225**	16,186
Interest-bearing bank borrowings	*17*	**29,021**	18,319
Tax payable		**3,022**	1,961
Total current liabilities		**49,058**	38,011
NET CURRENT ASSETS		**3,549**	44,230
TOTAL ASSETS LESS CURRENT LIABILITIES		**742,378**	741,784

* Less than HK$1,000

Condensed Consolidated Statement of Financial Position (Continued)

30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**3,498**	2,306
Interest-bearing bank borrowings	*17*	**510,150**	513,285
Provision for long service payments		**3,100**	3,621
Deferred tax liabilities		**14,483**	14,453
Total non-current liabilities		**531,231**	533,665
Net assets		**211,147**	208,119
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*18*	**9,029**	9,029
Reserves		**195,275**	194,202
		204,304	203,231
Non-controlling interests		**6,843**	4,888
Total equity		**211,147**	208,119

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2018

	Note	Attributable to owners of the parent									
	Note	Issued capital HK$'000 (Note 18)	Share premium account HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
(Unaudited)											
At 1 April 2018		9,029	148,770	33,798	1,691	504	496	8,943	203,231	4,888	208,119
Profit/(loss) for the period		–	–	–	–	–	–	8,786	8,786	(5)	8,781
Other comprehensive income/(loss) for the period:											
Actuarial gains on retirement benefit obligation		–	–	–	–	786	–	–	786	–	786
Exchange differences on translation of foreign operations		–	–	–	–	–	(915)	–	(915)	–	(915)
Total comprehensive income/(loss) for the period		–	–	–	–	786	(915)	8,786	8,657	(5)	8,652
Final dividend	*10*	–	–	–	–	–	–	(7,584)	(7,584)	–	(7,584)
Capital injection from a non-controlling shareholder		–	–	–	–	–	–	–	–	(1,960)	(1,960)
At 30 September 2018		9,029	148,770*	33,798*	1,691*	1,290*	(419)*	10,145*	204,304	6,843	211,147

* These reserve accounts comprise the consolidated reserves of 195,275,000 (31 March 2018: HK$194,202,000) in the condensed consolidated statement of financial position as at 30 September 2018.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six-month period ended 30 September 2018

		Attributable to owners of the parent						
	Note	Issued capital HK$'000 (Note 18)	Share premium account HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
(Unaudited)								
At 1 April 2017		9,029	148,770	33,798	1,691	(357)	15,278	208,209
Profit for the period		–	–	–	–	–	10,993	10,993
Other comprehensive income for the period:								
Actuarial gains on retirement benefit obligation		–	–	–	–	752	–	752
Total comprehensive income for the period		–	–	–	–	752	10,993	11,745
Interim dividend	*10*	–	–	–	–	–	(15,168)	(15,168)
At 30 September 2017		9,029	148,770	33,798	1,691	395	11,103	204,786

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 September 2018

	Notes	For the six-month period ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,277**	12,173
Adjustments for:			
Finance costs	*8*	**1,114**	1,693
Interest income	*6*	**(9)**	(9)
Depreciation		**4,250**	3,929
Amortisation		**1,639**	1,546
Fair value gain on financial assets at fair value through profit or loss	*7*	**(48)**	(72)
Provision for long service payments, net		**265**	143
Gain on disposal of a subsidiary	*7*	**–**	(5,867)
		17,488	13,536
(Increase)/decrease in trade receivables		**(827)**	35
Decrease in prepayments, deposits and other receivables		**2,676**	2,217
Increase in trade payables		**245**	402
Increase in other payables and accruals		**231**	1,671
Cash generated from operations		**19,813**	17,861
Hong Kong profits tax paid		**(675)**	(1,336)
Interest received		**9**	9
Interest paid		**(6,824)**	(1,693)
Net cash flows from operating activities		**12,323**	14,841

Condensed Consolidated Statement of Cash Flows (Continued)

For the six-month period ended 30 September 2018

	For the six-month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(29,758)**	(16,741)
Disposal of subsidiaries	**–**	5,976
Acquisition of a subsidiary	**–**	(15,880)
Deposit paid for acquisition of interest in a subsidiary	**–**	(22,680)
Increase in an amount due from a joint venture	**(1,824)**	–
Increase in investment in a joint venture	**(11,730)**	–
Net cash flows used in investing activities	**(43,312)**	(49,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**16,720**	–
Repayment of bank loans	**(9,153)**	(41,104)
Dividends paid	**(7,584)**	(15,168)
Capital injection from a non-controlling shareholder of a subsidiary	**1,960**	–
Net cash flows from/(used in) financing activities	**1,943**	(56,272)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,046)**	(90,756)
Cash and cash equivalents at beginning of period	**71,778**	175,182
Effect of foreign exchange rate changes, net	**(691)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**42,041**	84,426

1. CORPORATE AND GROUP INFORMATION

Pine Care Group Limited 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 located at 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 period, the Company and its subsidiaries (collectively the "Group") are principally engaged in the provision of elderly home care services.

In the opinion of the directors of the Company (the "Directors"), Mr. Yim Ting Kwok, Mr. Ng Kwok Fu Alex, Ms. Cho Wing Yin, Mr. Yim Billy Pui Kei, Mr. Yim Edwin Pui Hin, Ms. Chu Lai King and Ms. Suen Mi Lai Betty are considered as the controlling shareholders of the Company (the "Controlling Shareholder(s)"), and the immediate holding company and ultimate holding company are Pine Active Care Limited and Silverage Pine Care Limited, respectively, which are companies incorporated in the British Virgin Islands.

2. ACCOUNTING POLICIES

The condensed consolidated interim financial information (the "interim financial information") for the six-month period ended 30 September 2018 is prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 March 2018, except for the following new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") that have been adopted by the Group for the first time for the current period's interim financial information:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the interim financial information.

2. ACCOUNTING POLICIES *(Continued)*

The nature and the impact of the changes are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group did not restate comparative information and recognise any material transition adjustments against the opening balance of equity at 1 April 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss or amortised cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent ''solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

2. ACCOUNTING POLICIES *(Continued)*

(a) *(Continued)*

(i) **Classification and measurement** *(Continued)*

The new classification and measurement of the Group's financial assets are as follows:

— *Debt instruments at amortised cost* that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

— *Financial assets at fair value through profit or loss ("FVTPL")* include the insurance asset which the Group had irrevocably elected at initial recognition to classify at FVTPL and debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

2. ACCOUNTING POLICIES *(Continued)*

(a) *(Continued)*

(ii) Impairment

HKFRS 9 requires an impairment on trade receivables, other receivables and amount due from a joint venture that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied general approach and recorded twelve-month expected losses on its other receivables and amount due from a joint venture. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

(b) HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard supersedes all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group adopted HKFRS 15 on 1 April 2018.

2. ACCOUNTING POLICIES *(Continued)*

(b) *(Continued)*

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 April 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(i) Sale of elderly home related goods

Timing of revenue recognition

Sale of elderly home related goods was recognised when the significant risks and rewards of ownership of the goods were transferred to the customers. Upon the adoption of HKFRS 15, the Group recognises the sale of elderly home related goods at the point in time at which the Group delivers the goods to the customers. The application of HKFRS 15 has had no material impact on the timing of revenue recognised in the respective periods.

(ii) Rendering of elderly home care services and provision of health care services

Timing of revenue recognition

The revenue for rendering of elderly home care services and provision of health care services was recognised when the services were rendered. Following the adoption of HKFRS 15, the Group has assessed that the services are satisfied over time given the customers simultaneously receive and consume the benefits provided by the Group. The application of HKFRS 15 has had no material impact on the timing of revenue recognised in the respective periods.

2. ACCOUNTING POLICIES *(Continued)*

(b) *(Continued)*

(iii) **Presentation and disclosure**

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements are significant. In particular, the notes to the financial statements expands because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation.

In addition, as required by HKFRS 15, the Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It also discloses information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim financial information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 No mandatory effective date yet determined but available for early adoption

2. ACCOUNTING POLICIES *(Continued)*

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's interim financial information.

3. CHANGE IN ACCOUNTING ESTIMATES

With effect from 1 April 2018, the Group made a change in the estimated useful lives of leasehold land under finance leases and buildings as follows:

— Leasehold land under finance leases is depreciated over the lease term of the land assuming renewal of the land lease upon its expiry according to the prevailing laws and policies; and

— Estimated useful life of buildings changed from "over the shorter of 50 years and the remaining lease term of the underlying leasehold land" to "over the shorter of 80 years and the remaining lease term of the underlying leasehold land".

This constitutes a change in accounting estimates. In the opinion of the Directors, based on the current conditions and the advice of the Group's legal and other professional advisors, the estimated useful life of the leasehold land under finance leases and buildings was more appropriately reflected by the change. The change has been applied prospectively and has resulted in a decrease in depreciation of approximately HK$1,912,000 for the current period.

4. DISAGGREGATION OF REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the six months ended 30 September 2018

(Unaudited)	**Total** HK$'000
Type of goods or services:	
Sale of elderly home related goods	8,896
Rendering of elderly home care services	76,330
Provision of health care services	7,348
Total revenue from contracts with customers	92,574
Geographical markets:	
Hong Kong	92,574
Timing of revenue recognition:	
Goods transferred at a point in time	8,896
Services transferred over time	83,678
Total revenue from contracts with customers	92,574

5. OPERATING SEGMENT INFORMATION

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

The Group's revenue was derived solely from its operations in Hong Kong during the period and the non-current assets of the Group were mainly located in Hong Kong as at 30 September and 31 March 2018.

Information about a major customer

Revenue of approximately HK$42,629,000 (six-month period ended 30 September 2017: HK$43,332,000) was derived from the Hong Kong Government under the Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of elderly home care services rendered and the net invoiced value of goods sold during the period.

An analysis of revenue, other income and gains is as follows:

	For the six-month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Rendering of elderly home care services	**76,330**	72,510
Sale of elderly home related goods and provision of health care services	**16,244**	14,041
	92,574	86,551
Other income		
Interest income	**9**	9
Rental income	**157**	116
	166	125
Gains		
Gain on disposal of a subsidiary	**–**	5,867
Fair value gain on financial assets at fair value through profit or loss	**48**	72
	48	5,939
	214	6,064

7. PROFIT BEFORE TAX

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

	For the six-month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**7,002**	6,690
Depreciation and amortisation	**7,404**	5,475
Less: amount capitalised	**(1,515)**	–
	5,889	5,475
Fair value gain on financial assets at fair value through profit or loss*	**(48)**	(72)
Interest income*	**(9)**	(9)
Gain on disposal of a subsidiary*	**–**	(5,867)
Government grants**/#	**(4,773)**	(5,436)

* Included in "Other income and gains" on the face of the condensed consolidated statement of profit or loss.

** Included in "Staff costs" on the face of the condensed consolidated statement of profit or loss.

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.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Interest on bank loans	**6,824**	1,692
Interest on bank overdrafts	**–**	1
Total interest expense on financial liabilities	**6,824**	1,693
Less: Interest capitalised	**(5,710)**	–
	1,114	1,693

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six-month period ended 30 September 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six-month period ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Current — Hong Kong		
Charge for the period	**1,736**	1,855
Deferred	**(240)**	(675)
Total tax charge for the period	**1,496**	1,180

10. DIVIDENDS

	For the six-month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Interim dividend — Nil (2017: HK1.68 cents) per ordinary share	**–**	15,168
Final dividend — HK0.84 cent (2017: Nil) per ordinary share	**7,584**	–
	7,584	15,168

On 20 June 2017, the Directors resolved to declare an interim dividend of HK1.68 cents per ordinary share for the six-month period ended 30 September 2017.

On 2 August 2018, the Directors resolved to declare a final dividend of HK0.84 cent per ordinary share for the year ended 31 March 2018.

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

The calculation of the basic earnings per share amounts for profit for the period attributable to ordinary equity holders of the Company is based on the profit for the period attributable to the ordinary equity holders of the Company of HK$8,786,000 (2017: HK$10,993,000), and the weighted average number of ordinary shares of 902,880,000 (six-month period ended 30 September 2017: 902,880,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six-month periods ended 30 September 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 September 2018, the Group acquired property, plant and equipment of HK$36,983,000 (six-month period ended 30 September 2017: HK$16,849,000).

At 30 September 2018, the Group's land and buildings and construction in progress with a total carrying amount of HK$175,291,000 (31 March 2018: HK$176,056,000) and HK$32,105,000 (31 March 2018: HK$14,651,00), respectively, were pledged to secure general banking facilities granted to the Group (note 17).

13. PREPAID LAND LEASE PAYMENTS

At 30 September 2018, the Group's prepaid land lease payments with a total carrying amount of HK$370,979,000 (31 March 2018: HK372,494,000) was pledged to secure general banking facilities granted to the Group (note 17).

14. TRADE RECEIVABLES

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Trade receivables	**1,694**	867

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. They are stated net of provision.

14. TRADE RECEIVABLES *(Continued)*

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within one month	**837**	408
One to two months	**753**	357
Two to three months	**104**	102
	1,694	867

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Neither past due nor impaired	**837**	408
Less than one month past due	**753**	357
One to three months past due	**104**	102
	1,694	867

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Insurance asset	**3,031**	2,983

Notes:

(a) The Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the Group is the beneficiary and the policy holder. The above insurance asset was, upon initial recognition, designated by the Group as a financial asset at fair value through profit or loss. The fair value of the insurance asset is determined based on the cash surrender value less the surrender charge at the end of each reporting period.

(b) The Group's financial assets at fair value through profit or loss with a carrying amount of HK$3,031,000 (31 March 2018: HK$2,983,000) was pledged as security for the Group's bank loans as at 30 September 2018, as further detailed in note 17 to the interim financial information.

16. TRADE PAYABLES

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within one month	**1,790**	1,545

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

17. INTEREST-BEARING BANK BORROWINGS

	30 September 2018 (Unaudited)			31 March 2018 (Audited)		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans — secured	**2.13 -3.50**	**2018**	**29,021**	1.49 -2.35	2018	18,319
Non-current						
Bank loans — secured	**2.13 -3.50**	**2019 -2035**	**510,150**	1.49 -2.35	2019 -2035	513,285
			539,171			531,604

Notes:

(a) The Group's bank borrowings are denominated in Hong Kong dollars.

(b) Certain of the Group's bank borrowings are secured by a mortgage over the Group's land and buildings and construction in progress, which had an aggregate carrying amount as at 30 September 2018 of approximately HK$175,291,000 (31 March 2018: HK$176,056,000) and HK$32,105,000 (31 March 2018: HK$14,651,000, respectively (note 12).

(c) The Group's bank borrowings are secured by a mortgage over the Group's prepaid land lease payments, which had an aggregate carrying amount as at 30 September 2018 of approximately HK$370,979,000 (31 March 2018: HK372,494,000) (note 13).

(d) Certain of the Group's bank borrowings are secured by a pledge over the Group's financial assets at fair value through profit or loss with a carrying amount as at 30 September 2018 of HK$3,031,000 (31 March 2018: HK$2,983,000) (note 15).

(e) Certain of the Group's bank borrowings are jointly guaranteed by certain subsidiaries of the Company.

17. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes: (continued)

(f) The amounts payable based on the maturity terms of the bank and other borrowings are analysed as follows:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Bank loans:		
Within one year or on demand	**29,021**	18,319
In the second year	**24,594**	23,865
In the third to fifth years, inclusive	**108,153**	109,154
Beyond five years	**377,403**	380,266
	539,171	531,604

18. SHARE CAPITAL

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'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

19. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of the reporting period.

20. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the end of the reporting period, the Group had total future minimum lease receivables under the non-cancellable operating lease with its tenant falling due as follows:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within one year	**324**	23
In the second to fifth years, inclusive	**162**	–
	486	23

20. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its elderly centres under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to four years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within one year	**9,264**	14,398
In the second to fifth years, inclusive	**14,890**	17,278
	24,154	31,676

In addition, the operating lease rentals for certain elderly centres are based on the higher of a fixed rental and a contingent rent depending on the revenue of these elderly centres pursuant to the terms and conditions as set out in the respective rental agreements. As the future revenue of these elderly centres could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

21. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Contracted, but not provided for:		
Land and buildings	**735**	1,230
Investment in a joint venture	**–**	11,730
	735	12,960

22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these interim financial information, the Group had the following transactions with related parties:

		For the six-month period ended 30 September	
	Notes	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Rental expenses paid to a company controlled by the Controlling Shareholders	*(i)*	**168**	168
Rental income from a company controlled by the Controlling Shareholders	*(i)*	**157**	120
Visiting medical service fees paid to a director of certain subsidiaries of the Company and a former director of the Company	*(ii)*	**378**	378
Purchases of medicines from a company controlled by the Controlling Shareholders	*(iii)*	**133**	149

Notes:

(i) The rentals were determined at rates mutually agreed by the relevant parties.

(ii) The service fees were determined at rates in accordance with the terms and conditions set out in the contracts entered into between the relevant parties.

(iii) The purchases were conducted at prices mutually agreed between the relevant parties.

22. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group:

	For the six-month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,252**	1,827
Pension scheme contributions	**38**	46
Total compensation paid to key management personnel	**2,290**	1,873

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 September 2018:
(Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**–**	**–**	**3,031**	**3,031**

As at 31 March 2018:
(Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	–	2,983	2,983

24. EVENT AFTER THE REPORTING PERIOD

On 22 November 2018, the Company declared an interim dividend of HK0.84 cent per ordinary share in aggregate of HK$7,584,000 to the members of the Company.

25. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

These interim financial information was approved and authorised for issue by the board of directors on 22 November 2018.

Pine Care Group Limited
松齡護老集團有限公司