

NEWS RELEASE

CORDLIFE ACHIEVES 13.2% INCREASE IN REVENUE TO S\$6.9 MILLION FOR 3Q2012

- ***Revenue driven by rise in number of client deliveries and new cord tissue banking services in Hong Kong***
- ***Net profit slides to S\$0.8 million mainly due to selling and marketing expenses and one-off IPO expenses***
- ***Gross margin maintains at high level of 69.3%***
- ***Strong balance sheet with cash and cash equivalents of S\$33.6 million***
- ***Group to benefit from deepening penetration rates of cord blood banking services in key markets of Singapore and Hong Kong***

Singapore, May 14, 2012 – Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), the cord blood and tissue banking service provider, reported a 13.2% increase in revenue to S\$6.9 million for the three months ended 31 March 2012 (“3Q2012”).

The increase in revenue was mainly due to an increase in the provision of cord blood banking services driven by a rise in the number of client deliveries and new cord tissue banking services launched in March 2011 by the Group’s subsidiary, Cordlife Hong Kong. Net profit for 3Q2012 stood at S\$0.8 million, compared to S\$1.9 million for the three months ended 31 March 2011 (“3Q2011”), a decline of 57.1%.

Gross margin remained at a high level of 69.3%, despite dipping slightly from 72.6% in 3Q2011, because of an increase in cost of maternal blood testing brought about by a change in AABB (formerly known as American Association of Blood Banks) standards that the Group adheres to for its accreditation.

Mr Jeremy Yee, Executive Director and Chief Executive Officer of Cordlife said: “The increase in our revenue is a testament to the success of our marketing and promotional activities to raise awareness of the benefits of cord blood banking. More importantly, it validates the competitive strength of our business model and its ability to generate a stable, recurring source of income with a growing subscriber base.

“As one of the first in Asia to be accredited by AABB, an association involved in the field of transfusion medicine and cellular therapies, the Group is careful to abide by its requirements, even if it means an increase in costs affecting our margins and bottomline. However, with our recent successful initial public offering, we are well-poised – with a strong cash position of S\$33.6 million – for the development and expansion of our business both at home and overseas.”

Financial Review

Revenue from rendering of services increased by 13.2%, or S\$0.8 million, from S\$6.1 million in 3Q2011 to S\$6.9 million in 3Q2012. Approximately S\$0.6 million of the increase was derived from increased provision of cord blood banking services driven by a rise in the number of client deliveries, from about 1,500 in 3Q2011 to 1,700 in 3Q2012. Approximately S\$0.2 million of the increase came from the provision of cord tissue banking services in Hong Kong, which commenced in March 2011. In 3Q2011, no such services were provided.

In tandem with the revenue increase, gross profit increased by 8.2% or S\$0.4 million. Gross profit margin decreased 3.3 percentage points from 72.6% in 3Q2011 to 69.3% in 3Q2012, due to an increase in the cost of maternal blood testing of approximately S\$120 (or 160%) per cord blood unit, which was required due to a change in AABB standards.

Cost of sales increased by 26.6%, or S\$0.4 million, in line with the increase in revenue from rendering of services and because of the change in AABB standards.

Other operating income decreased by 91.4%, or S\$54,000. In 3Q2011, the Group received a government grant pertaining to the Executive Training Program and Capability Development Scheme by SPRING Singapore. The Group did not receive the same grant in 3Q2012.

Administrative expenses increased by 109.2%, or S\$1.6 million, which was mainly attributable to IPO expenses of S\$1.3 million being incurred in 3Q2012. In addition, more directors were appointed, which resulted in a S\$0.1 million increase in director fees and another S\$0.1 million increase in headcount.

The Group recorded share of results in an associate of S\$0.5 million in 3Q2012 from its investment in Guangdong's sole cord blood banking operator - Guangzhou Tianhe Nuoya Biology Engineering Co., Ltd. ("Guangzhou Tianhe Nuoya"). This represented an increase of approximately 31.9%, or S\$0.1 million, from S\$0.4 million in 3Q2011. The increase in share of profits was due to the growth of Guangzhou Tianhe Nuoya's business as new customers signed up each year.

Net profit after tax declined 57.1%, from S\$1.9 million in 3Q2011 to \$0.8 million in 3Q2012, primarily due to one-off IPO expenses and selling and marketing expenses incurred for client acquisitions.

For the nine months ended 31 March 2012 ("9M2012"), revenue increased by 14.2% to S\$21.3 million, from S\$18.7 million in the past corresponding period ("9M2011"). The number of client deliveries increased from approximately 4,900 in 9M2011 to 5,300 in 9M2012. Gross profit increased by 10.8%, or \$1.4 million, to S\$14.7 million in 9M2012. Gross profit margin decreased from 70.9% in 9M2011 to 68.8% in 9M2012. Net profit declined 25.4% to S\$4.6 million in 9M2012, from S\$6.2 million in 9M2011.

As of 31 March 2012, the Group has a strong balance sheet with cash and cash equivalents of S\$33.6 million.

Outlook

“While we are cognizant of the worsening economy in the Euro zone, the mild recovery in the United States and slowing growth in China and some Southeast Asian economies, we believe that Singapore and Hong Kong, two of our key markets, remain promising,” Mr Yee said.

According to the Market Research Report conducted by Deloitte & Touche Financial Advisory Services Limited (“DTFAS”) dated 7 March 2012, Singapore’s private cord blood banking market is expected to keep growing. The penetration level of private cord blood banking is expected to rise 38% by 2015 from 24% in 2010. While falling fertility rate is a concern, the nation has been experiencing constant birth rates of around 38,000 new births a year. According to the DTFAS report, private cord blood banking has enjoyed a growth rate of around 16% over the past four years, mainly due to a government subsidy of 50% of the collection fee through the “Child Development Co-Saving” scheme. Rising public awareness and acceptance – in part because of higher rate of success for transplants, and in part because of a more highly-educated population – contributed to this growth.

Mr Yee said: “As the larger of only two private cord blood banking services providers in Singapore, we believe we are positioned to benefit from deepening penetration rates of cord blood banking services here. With Cordlife’s larger space at our new headquarters and facility at Yishun, A’Posh Bizhub, we will be able to increase our current capacity to store up to about 650,000 cord blood units, and further entrench our leadership position in Singapore.”

In Hong Kong, similar demand drivers are in place. According to the Market Research Report conducted by DTFAS, the penetration rate is expected to deepen from 11.5% in 2010 to 20.6% in 2015. Leading players, of which Cordlife is one of the top three in terms of market share, are driving this growth by raising the visibility of cord blood banking. In March 2011, as part of our growth strategies, Cordlife launched umbilical cord tissue banking services in Hong Kong, offering an additional service that allows customers to collect and store their children's umbilical cord tissue.

Commenting on the possible ban by authorities to prevent pregnant women from mainland China from giving birth in private hospitals in Hong Kong, Mr Yee said: “We believe that our strong brand, solid track record and leadership position will provide us with a firm footing to weather this potential change in government regulations. The annual birth numbers among Hong Kong residents have been relatively stable, ranging from 43,000 to 49,000, which will still provide a substantial pool of potential customers.

“Moreover, the ban, if imposed, will not apply to mainland Chinese women married to Hong Kong residents.”

To capture this market, the Group has a strategic marketing collaboration with China Cord Blood Corporation – a top operator in China holding majority shares in Beijing, Guangdong and Zhejiang Cord Blood Banks, and approximately 20% share in Shandong Cord Blood Bank. This collaboration with China Cord Blood Corporation helps raise awareness of Cordlife Hong Kong’s cord blood banking services in these PRC regions amongst expectant mothers who intend to deliver in Hong Kong.

The Group has also benefited from its indirect 10% shareholding interest in Guangzhou Tianhe Nuoya. According to the Market Research Report conducted by DTFAS, the nationwide penetration rate for private cord blood banks in China is expected to increase from 0.5% in 2010 to 1.4% in 2015, leaving more headroom for expanding business.

Going forward, the Group is cautiously optimistic that its strong market position and brand equity, coupled with favourable industry factors, will benefit the Group in the next 12 months. Barring any unforeseen circumstances, the Group expects to remain profitable for FY2012.



ABOUT CORDLIFE GROUP LIMITED (Bloomberg stock code: CLGL)

Incorporated in May 2001, Cordlife Group Limited is an award-winning and established cord blood banking service provider. Amongst the first private cord blood banks in Asia, the Group has established a dominant market leader position in Singapore*. Today, it has the larger market share of the only two private cord blood banks in Singapore. In Hong Kong, it is amongst the three market leaders for private cord blood banks.

The Group collects, processes, tests, cryopreserves and stores stem cells from the umbilical cord blood of the child at birth, allowing customers to preserve their child's cord blood stem cells for treatment later in his or her life if their child so requires. In March 2011, the Group launched umbilical cord tissue banking service in Hong Kong, offering an additional service that allows customers to collect and store their child's umbilical cord tissue, which is a rich source of mesenchymal and epithelial stem cells and may potentially help repair the body in different ways.

Cordlife's business model, which allows customers to opt for a one-time lump sum payment, or annual payments until the child reaches maturity (21 years old in Singapore and 18 years old in Hong Kong), provides the Group with a stable pool of recurring cash flow.

In addition, Cordlife, through its collaborative relationships or arrangements with major private hospitals & clinics such as Thomson Medical, Parkway East Hospital and Raffles Hospital, has continued to increase public awareness of its cord blood banking services in Singapore. Overseas, the Group has a marketing collaboration agreement with China Cord Blood Corporation – a top operator in China holding majority shares in Beijing, Guangdong and Zhejiang Cord Blood Banks, and an approximately 20% share in Shandong Cord Blood Bank. The Group also has an indirect 10% shareholding interest in the sole cord blood banking operator in Guangdong province, Guangzhou Tianhe Nuoya.

**According to the Market Research Report conducted by DTFAS*

Cordlife was amongst the first in Asia to be accredited by AABB (formerly known as the American Association of Blood Banks), an association involved in the field of transfusion medicine and cellular therapies. The Group is one of the first private cord blood banks in Singapore and amongst the first in Hong Kong to have released cord blood units for transplants and other therapeutic use. In Singapore, Cordlife was the first private cord blood bank to release cord blood units for the treatment of cerebral palsy.

Cordlife's track record has won the Group many accolades and awards, including: Best Medical Service Award 2010 by Capital CEO Supreme Brand Awards; Top Pregnant/Baby Products Award 2011 by Pregnancy Magazine; Outstanding Financial Strength Cord Blood Bank 2011 by Quamnet Outstanding Enterprise Awards; Most Popular Brand Award 2010 – The Most Popular Cord Blood Bank by TVB Weekly; and U-Choice Lifestyle Brand Award 2010 by Metroinfo FM99.7**.

***Awarded to Cordlife Hong Kong*

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