

## PRESS RELEASE

# **Cordlife's 1QFY2016 core net profit before income tax from operations grows 4.5% to S\$1.8 million**

- ***Declares special interim dividend of 13.0 cents per share from disposal proceeds of CCBC shares and convertible note***
- ***Revenue increased 9.7%, while maintaining consistent gross margins above 68%***
- ***Widening our reach to more cities in Indonesia and Philippines, and engaging in more marketing activities to further promote customers' awareness in Singapore and Hong Kong***
- ***Well-positioned for future growth as a mother and child consumer healthcare company***

**Singapore, 13 November 2015 – Cordlife Group Limited** (“Cordlife”, and together with its subsidiaries, the “Group”), a mother and child consumer healthcare company, reported a 4.5% year-on-year increase in profit before income tax from operations for the quarter ended 30 September 2015 (“1QFY2016”) of S\$1.8 million. Revenue increased by 9.7% or S\$1.3 million from S\$13.3 million in 1QFY2015 to S\$14.5 million in 1QFY2016 due to an increase in the number of client deliveries from approximately 5,100 in 1QFY2015 to approximately 5,300 in 1QFY2016.

Following the completion of the disposal of CCBC shares and convertible note, the Group has declared a special interim dividend of 13.0 cents per share to be distributed on 3 December 2015.

Excluding the Group's share of profit in associate of S\$0.1 million, fair value gain on financial asset designated at fair value through profit or loss of S\$2.1 million, fair value loss on derivative of S\$4.8 million, non-operating exchange gain of S\$7.9 million, and non-operating finance income and expense of S\$2.7 million and S\$1.7 million respectively in 1QFY2016, the Group's profit before income tax from operations was S\$1.8 million, representing a 4.5% increase from S\$1.7 million for 1QFY2015. This is mainly attributable to the Group's efforts in expanding its reach to more cities in India, Indonesia and Philippines as well as increased educational and marketing activities in Singapore and Hong Kong to raise customers' awareness of the importance of cord

blood and cord lining banking. Including the finance income and finance costs associated with the China Cord Blood Corporation (“CCBC”) convertible note, the net realized operating and investment income for 1QFY2016 would have been S\$2.7 million, compared with S\$1.7 million for 1QFY2015.

## **Operations Review**

Mr Jeremy Yee, Executive Director and Chief Executive Officer of Cordlife said: “Amongst the leaders for private cord blood banking services in the markets that we operate in, we continue to widen our presence in Asia in 1QFY2016. The cord blood banking operations in these markets are developing rapidly, thanks to the fast-rising middle class seeking better healthcare options for their children. In the most recent quarter, we expanded our reach into more cities in Indonesia and the Philippines.

In Singapore, we anticipate that our operations will benefit from an increasing birth rate, driven by favourable government policies. Going forward, we will be engaging in more educational and marketing activities to increase brand awareness amongst prospective clients in Singapore. In China, we will be proactively exploring either collaboration opportunities with leading research hospitals or mergers and acquisitions, in addition to our existing partnership with CCBC in order to extend our products and services to more families in the country.

We believe in balancing growth investments with capital return initiatives such as dividends as part of our overall capital allocation strategy. We are pleased to declare a special interim dividend of 13.0 cents per share, arising from the disposal proceeds of CCBC shares and convertible note.

In the new financial year, we shall remain committed to developing our market leadership in cord blood and cord lining banking within the Asian region, while continuing with our plans to introduce new healthcare products and services that cater to the mother and child segment.”

## Financial Review

Revenue increased by 9.7% or S\$1.3 million from S\$13.3 million in 1QFY2015 to S\$14.5 million in 1QFY2016. The increase in revenue was due mainly to an increase in the number of client deliveries, from approximately 5,100 in 1QFY2015 to approximately 5,300 in 1QFY2016. The increase in client deliveries was due to increased awareness as a result of increased marketing and client acquisition efforts. In particular, there was an increase in marketing expenditure in the Group's Singapore and Hong Kong subsidiaries to increase brand awareness amongst prospective clients as well as establish its presence in more cities in India, Indonesia and Philippines.

Gross profit increased by 9.9% or S\$0.9 million due to the increase in new client deliveries. Gross profit margin increased from 68.3% in 1QFY2015 to 68.5% in 1QFY2016.

Other operating income decreased by 37.4% or approximately S\$67,000 in 1QFY2016 compared to 1QFY2015, mainly from a gain on disposal of investment property of approximately S\$54,000 in 1QFY2015. There was no such gain on disposal in 1QFY2016.

Selling and marketing expenses decreased by approximately 1.0% in 1QFY2016 compared to 1QFY2015. This is due to a decrease in advertising spend in India of approximately S\$0.5 million. In 1QFY2015, the Group spent approximately S\$0.5 million on television commercials in the Indian market as part of a through-the-line integrated marketing plan. There was no such expense incurred in 1QFY2016. On the other hand, administrative expenses increased by approximately 25.1% in 1QFY2016 compared to 1QFY2015. The increase was attributable to increase in staff-related costs of approximately S\$520,000 arising from increased headcount and more investment into training and development to augment the effectiveness and efficiency of the employees. There was also an increase in travel expenses of S\$155,000 for business development and increase in oversight activities as the regional operations expand.

As at 30 September 2015, the Group maintained a strong balance sheet, with cash and cash equivalents, fixed deposits and short-term investments of S\$27.2 million.

## **A Focused Growth-Path through the use of Network Effects**

The Group is riding on the growth of emerging Asian nations by expanding its geographical footprint for cord blood and cord lining banking business as well as other newly-introduced products catering to the mother and child segment. Initiatives under this strategy include the following:

- On 9 December 2013, the Group announced that it had acquired a further 11.89% interest in StemLife, bringing its total holdings in StemLife to approximately 31.81%. Prior to this, the Group announced on 4 October 2013 that it had completed the acquisition of an initial 19.92% interest in StemLife. StemLife currently has approximately 40% of the largest cord blood banking company in Thailand, Thai StemLife Co., Ltd. The 31.81% stake in StemLife is expected to generate long term revenue and cost synergies between Cordlife and StemLife.
- On 3 March 2014, the Group announced that it had extended its strategic alliance and co-operation with CordLabs Asia Pte. Ltd. and CCBC in relation to the provision of human postnatal cord lining storage services to certain territories in the People's Republic of China.
- On 12 October 2015, the Group announced that its wholly-owned subsidiary, CS Cell Technologies Pte. Ltd., has acquired additional 585,778 ordinary shares in Cordlife Sciences (India) Pvt. Ltd ("Cordlife India") from Strassenburg Pharmaceuticals Limited, representing approximately 15% of all the issued ordinary shares of Cordlife India, thereby increasing the Group's indirect interest in Cordlife India to approximately 99.9% of its share capital.
- On 12 November 2015, Cordlife announced that it acquired an additional 3 million ordinary shares in StemLife Berhad ("StemLife") (each, a "StemLife Share") representing approximately 1.21% of the issued and paid-up capital of StemLife, a company incorporated in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), for a total cash consideration of RM1.35 million or RM0.45 per StemLife Share, via an on-market acquisition (the "Acquisition"). As a result of the Acquisition, Cordlife's shareholding interest in StemLife has increased from 31.81% to approximately 33.03% of the issued and paid-up capital of StemLife, and the Company is obliged to extend a mandatory take-over offer to acquire all the remaining StemLife Shares not already owned by

the Company (the "Offer Shares") (the "Offer"). The consideration for the Offer Shares shall be RM0.45 per Offer Share or approximately RM74.6 million (approximately S\$24.4 million based on an exchange rate of RM3.06:S\$1.00) in aggregate.

The Group is also looking to provide other adjacent products and services that cater to the mother and child segment, in addition to cord blood and cord lining banking services. Initiatives under this strategy include the following:

- On 30 April 2014, the Group announced that Cordlife had entered into a licensing agreement with StemLife, to jointly explore and develop cord lining related new services based on cellular technology in Malaysia.
- In April 2014, Metascreen™ was launched in the Philippines and Hong Kong.
- In December 2014, Metascreen™ was also launched in Indonesia.

The Group is expected to continue to launch more adjacent products and services into all the markets this year, and in some cases, leveraging on the power of product and service bundling.

### **Completion of Disposal of Shares in China Cord Blood Corporation And 7% Senior Unsecured Convertible Note Due 2017**

Cordlife announced on 8 May 2015 that the Company has entered into a conditional purchase agreement with Golden Meditech Holdings Limited ("Meditech"), pursuant to which Cordlife has agreed to sell and Golden Meditech has agreed to purchase from Cordlife 7,314,015 ordinary shares in CCBC ("Sale Shares") and a 7% senior unsecured convertible note due 3 October 2017 ("Convertible Note") issued by CCBC to Cordlife in the principal amount of US\$25 million (the "Disposal"). The Disposal allows Cordlife to realise value in its shares and convertible note in CCBC (the "Total Investment") at a net gain of approximately S\$31,742,000<sup>1</sup>. This figure is computed based on (1) the Base Consideration as disclosed in the Circular dated 26 August 2015 (the "Circular"); (2) the net book value of the Convertible Note of approximately S\$61,720,000 in the Group

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<sup>1</sup> This figure does not include the Additional Consideration which is dependent on the Final Proposal Price as explained in the Circular. For more information, please refer to the Circular on the Disposal of shares in China Cord Blood Corporation and 7% senior unsecured convertible note due 2017 dated 26 August 2015.

3Q2015 Accounts; and (3) the net book value of the Sale Shares of approximately S\$51,345,000 in the Group 3Q2015 Accounts. This net gain does not, however, reflect the total gain attributable to the disposal of the Total Investment since the dates of its acquisition as it does not include the various gains relating to the Total Investment which have been recognised in the income statement from the dates of acquisition up to the end of 3QFY2015.

The proceeds from Disposal may be used for the Group's future business expansion, or be used to deleverage the financial position of the Group and/or for distribution to shareholders of the Group.

On 30 October 2015, the Group announced that the Company had signed a letter with Meditech pursuant to which both parties agreed that the (a) completion of the disposal of the Sale Shares will take place on 30 October 2015; and (b) the completion of the disposal of the Convertible Note will take place on 13 November 2015 or on such earlier date as may be agreed by the Company and Meditech. On 13 November 2015, Cordlife further announced that the disposal of the Convertible Note has been completed. As at the date of this announcement, disposal of Sale Shares and Convertible Note has been completed.

Mr Yee added: "Going forward, we remain committed to developing our market leadership in cord blood and cord lining banking in Asia while continuing with our plans to introduce new consumer healthcare products catering to the mother and child. Barring any unforeseen circumstances and excluding fair value changes on financial asset designated at fair value through profit or loss, fair value changes on derivative, non-operating exchange differences, share of results of associate and any other one-off items, the Group expects its core business to remain profitable for FY2016."

The End -

## **ABOUT CORDLIFE GROUP LIMITED (Bloomberg stock code: CLGL)**

Incorporated in May 2001, Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), is a consumer healthcare company catering to the mother and child segment and a leading cord blood and cord lining banking services provider. Amongst the first private cord blood banks in Asia, Cordlife has the largest market share of private cord blood banks in Singapore, Indonesia and the Philippines<sup>2</sup>. In Hong Kong and India, it is amongst the top three market leaders for private cord blood banks.

Cordlife, through its collaborative relationships and arrangements with major private hospitals and clinics such as Thomson Medical and Parkway East Hospital, has continued to increase public awareness of its cord blood banking service in Singapore. Overseas, Cordlife also acquired a 19.92% stake in October 2013, which was subsequently increased to approximately 31.81% in December 2013, in StemLife Berhad (“StemLife”). StemLife is a fully licensed cord blood banking facility with the Ministry of Health Malaysia currently listed on the ACE Market of Bursa Malaysia.

Cordlife has been accredited since 2005 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. In addition, in April 2013, Cordlife became the first private cord blood bank in Asia to have launched SEPAX<sup>®2</sup>, a Swiss-made FDA-approved, GMP compliant automated stem cell processing system that maximises automation while ensuring consistently high cell recoveries. Cordlife also has a strategic alliance with CordLabs Asia Pte. Ltd., a wholly-owned subsidiary of CellResearch Corporation Pte. Ltd., which gives the Group the exclusive rights to market their technology in relation to the provision of human postnatal cord lining storage services and training and the transfer of the know-how, in India, Indonesia, Malaysia, Philippines, Singapore, Hong Kong and Thailand.

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 2012 by Quamnet Outstanding Enterprise Awards; Most Popular Brand Award 2010 – The Most Popular Cord Blood Bank by TVB Weekly; U-Choice Lifestyle Brand Award 2010 by Metroinfo FM99.7; Baby & Kid Brands Awards Year 2013, “My Favourite Cord Blood Bank” by Hong Kong Economic Times; 2014 Most Popular Stem Cell Bank Reader’s Choice by Child Magazine; 2013-2014 MyBB Parent-Child Favorite Cord Blood and Umbilical Cord Bank Company and Baby Kingdom Top 10 Family Brand Award 2012<sup>3</sup>. In October 2012, Cordlife was awarded the prestigious SIAS Investors’ Choice Awards as runner-up in the “Most Transparent Company Award 2012” New Issues Category. In August 2013, we were presented with Merit Award for the Singapore Corporate Awards 2013, “Best Investor Relations Award”. In November 2013, Cordlife was named the “Most Transparent Company 2013” in the Retail & Household Goods Category and Mainboard Small Caps Category at the 14<sup>th</sup> SIAS Investors’ Choice Awards. In October 2015, named as the

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<sup>2</sup> Source : Deloitte & Touche Financial Advisory Services Limited report, October 2014

<sup>3</sup> Awarded to Cordlife (Hong Kong) Limited

Runner-up of the 16th SIAS Investors' Choice Award, Singapore Corporate Governance Award (SCGA) 2015, Mid and Small Category. Cordlife was also honoured by Forbes Asia as one of the "Best Under a Billion" companies at an awards ceremony and dinner held in November 2015.

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