NEWS RELEASE

CORDLIFE REPORTS 12.1% INCREASE IN REVENUE TO S$28.8 MILLION FOR FY2012

- Revenue driven by rise in number of client deliveries and new cord tissue banking services in Hong Kong
- High gross margin of approximately 70.0% achieved
- Without IPO expenses, net profit up 4.1% to S$8.8 million
- Due to one-off IPO expenses and higher capital expenditures to drive business growth, net profit decreases to S$6.9 million
- Strong balance sheet with net cash position
- Declares total dividend of 3.8 cents to date
- Poised for further geographical expansion with recent proposed acquisition of China’s largest cord blood banking operator

Singapore, August 24, 2012 – Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), the cord blood and tissue banking service provider, reported a 12.1% increase in revenue to S$28.8 million for the full year ended June 30, 2012 (“FY2012”).

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 FY2012 stood at S$6.9 million, compared to S$8.5 million for the year ended June 30, 2011 (“FY2011”), a decline of 18.3%. However, without one-off IPO expenses of S$1.9 million, net profit rose 4.1% to S$8.8 million for FY2012.
Gross margin remained high at approximately 70.0% in FY2012, although at a marginal decline as compared to 71.1% in FY2011. This was due to an increase in the 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: “We have continued to invest in marketing, promotional activities and human resource as we step up our client acquisition plans. We view these as investments that are necessarily incurred as we move into another level of growth.

“Our business model remains robust, generating a stable, recurring income with a growing subscriber base, as well as strong margins. We will not rest on our laurels and will continue to explore ways to deepen our market penetration as well as broaden our geographical reach.”

Financial Review

The 12.1% increase in revenue to S$28.8 million in FY2012, as compared to S$25.7 million in FY2011, was largely driven by an increase in the provision of cord blood banking services of approximately S$2.4 million; and the provision of cord tissue banking services in Hong Kong of about S$0.7 million, which commenced in March 2011. The Group saw a higher number of client deliveries, from approximately 6,600 in FY2011 to 7,200 in FY2012.

Correspondingly, gross profit increased 9.7%, or S$1.8 million, to S$20.0 million in FY2012. The Group achieved a high gross profit margin of approximately 70.0% during this period, although it was a marginal decline of approximately 1 percentage point from 71.1% in FY2011. This was 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 18.0%, or S$1.3 million, in line with the rise in turnover and because of the change in AABB standards.

As the Group stepped up its expansion and client acquisition plans, higher administrative and selling and marketing expenses were incurred. Administrative expenses increased by 65.6%, or S$3.6 million, mainly due to one-off IPO expenses of S$1.9 million and recurring listing fees. Selling and marketing expenses, on the other hand, rose 17.6%, or S$1.0 million, largely due to an increase in commission expense, advertising and marketing activities to promote customers’ awareness and higher staff costs of sales and marketing personnel.

Overall, net profit declined by 18.3% to S$6.9 million in FY2012 mainly due to one-off IPO expenses; as well as higher capital expenditure to drive business growth. However, without one-off IPO expenses, FY2012 net profit increased 4.1% to S$8.8 million.

For the three months ended June 30, 2012 (“4Q2012”), revenue increased by 6.5% to S$7.5 million, from S$7.0 million in the past corresponding period (“4Q2011”). The number of client deliveries increased from approximately 1,700 in 4Q2011 to 1,900 in 4Q2012. Gross profit increased 4.0% or S$0.2 million to S$5.2 million in 4Q2012. Likewise, gross profit remained high at 70.0% in 4Q2012, marginally lower than 71.7% in 4Q2011. Net profit held steady at S$2.3 million in 4Q2012, registering a 0.9% increase.

As at June 30, 2012, the Group maintained a strong balance sheet, with a net cash position. NAV increased close to 13.8% at 30.58 cents as at June 30, 2012, as compared to 26.88 cents as at June 30, 2011.
The Group has proposed a final, 1-tier tax exempt special dividend of 1.8 cents, payable on November 14, 2012. This is in addition to the special dividend of 0.2 cents and interim dividend of 1.8 cents that were distributed on June 13, 2012. Together, the Group has declared a total dividend of 3.8 cents (including special dividend of 2.0 cents) since its listing on March 29, 2012. This is in excess of the Group's intended dividend distribution of at least 25% of the Group's FY2011 and FY2012 profits attributable to shareholders as stated in Cordlife's prospectus dated March 21, 2012 and is meant to reward long-term and existing shareholders.

Outlook

Despite headwinds in the economy with the continuing uncertainty in Europe and slowing growth in China, the Group remains optimistic that its key markets, Singapore and Hong Kong, are promising.

In Singapore, the success of IHH Healthcare Berhad’s recent US$2.0 billion listing has generated renewed interest in healthcare companies. The Group believes it is in a unique space to ride on this robust industry momentum.

In addition, the Singapore government is reviewing policies to promote marriage and parenthood. In early August, the new Ministry of Social and Family Development was formed, with an immediate priority to help young people get married and have children earlier. A range of recommendations, including extending maternity leave from the current four months to six, are being considered as the government collates feedback from different interest groups. The government’s initiatives have generated a healthy debate on the nation’s attempts to boost the birth and fertility rates. While falling fertility rate is a concern, Singapore has been experiencing constant birth rates of around 38,000 new births a year, and the penetration level of Singapore’s private cord blood banking is expected to rise to 38% by 2015 from 24% in 2010, according to industry data found in the Company’s prospectus dated March 21, 2012.
“As the larger of only two private cord blood banking services providers in Singapore, the Group is positioned to benefit from this growth. The Group’s larger space at our new headquarters and facility at Yishun, A’Posh Bizhub, will be ready by first quarter of 2013. This will enable us to increase our current capacity to exploit economies of scale, reduce the uncertainty of future costs and further entrench our leadership position in Singapore,” Mr Yee said.

In Hong Kong, similar demand drivers are in place. According to industry figures in the prospectus, the penetration rate is expected to deepen from 11.5% in 2010 to 20.6% in 2015. Leading players – and the Group is one of the top three in terms of market share – are driving this growth by raising the visibility of cord blood banking.

Added Mr Yee: “Apart from good prospects from our two key markets where we enjoy leadership positions, with our recent proposed transactions with China Cord Blood Corporation or CCBC, the largest cord blood banking operator in China, we are poised to expand our geographical reach beyond the Guangdong province and capitalise on the growing affluence of the world’s most populous nation.”

In China, home to the world’s fastest-growing population of middle-class consumers, the healthcare sector is also bucking the trend of a slowdown. More Chinese are seeking better-quality medical care, which can include seeking a life-time protection for their children through storage of their cord blood units. 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.

To capture this growth, the Company entered into transactions with CCBC in mid-August that will, upon completion and approval by shareholders, allow the Company to own 10% of CCBC, which provides cord blood collection, laboratory testing, hematopoietic stem cell processing and stem cell storage services in the Beijing municipality and the provinces of Guangdong and Zhejiang. The strategic alliance will allow the Group to leverage on CCBC’s extensive cord blood banking network and its management's ability to expand service coverage within China.
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 FY2013.

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.

*According to the industry data in the Company’s prospectus dated March 21, 2012
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.

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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