PRESS RELEASE

Cordlife’s 1QFY2014 net profit rises 209.7% to S$8.7 million, enhanced by one-off items

- Revenue increased 31.1% year-on-year, driven by rise in number of client deliveries from India, Indonesia and the Philippines
- Maintained high and consistent level of gross margins
- Benefitting from economies of scale and scope as a multi-product healthcare company catering to the mother and child segment

Singapore, 13 November 2013 – Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), an aspiring multi-product healthcare company catering to the maternal and child, reported that its net profit for the quarter ended 30 September 2013 (“1QFY2014”) increased 209.7% to S$8.7 million year-on-year (yoy) on the back of healthy revenue growth, strong margins as well as a S$3.1 million fair value gain on long-term investment and a gain on transfer of investment in associate to long-term investment of S$6.2 million. Revenue grew 31.1% as compared to the corresponding 1QFY2013, up from S$8.6 million to S$11.3 million due to contributions from newly acquired entities and assets.

Excluding non-core and one-off items¹, the Group’s core net profit after tax would have been S$1.5 million for 1QFY2014 versus S$2.3 million previously. This is mainly attributable to the inclusion of Philippines and Indian subsidiaries and Indonesian assets acquired and the Group’s efforts in ramping up educational and marketing activities in these countries to further promote customers’ awareness and so that the Group can establish leadership in these countries. In addition to the above, the Group also incurred expenses in its commitment to restructure its operations in Indonesia.

Mr Jeremy Yee, Executive Director and Chief Executive Officer of Cordlife said: “We continue to deliver strong revenue growth while maintaining a high, consistent level of gross profit margin of about 69%. With the completion of the acquisition of businesses and assets in India, the Philippines, Hong Kong and Indonesia from Australia-listed Life Corporation

¹ These includes the share of loss in associate of S$2.1 million, fair value gain on long-term investment of S$3.1 million and gain on transfer of investment in associate to long-term investment of S$6.2 million in 1QFY2014 and the share of gain in associate of S$0.5 million in 1QFY2013.

The initial public offering of Cordlife’s shares was sponsored by PrimePartners Corporate Finance Pte. Ltd., who assumes no responsibility for the contents of this release.
Limited and a 19.92% interest in Malaysia-listed StemLife Berhad, Cordlife is now well-positioned to expand our geographical footprint in Asia and tap on the strong growth in these nations. This is in line with Cordlife’s growth path in setting up a horizontal platform to derive economies of scale.”

**Financial Review**

Revenue increased by 31.1% from S$8.6 million in 1QFY2013 to S$11.3 million in 1QFY2014. The increase in revenue was largely due to an increase in the number of client deliveries, from approximately 2,150 in 1QFY2013 to 3,500 in 1QFY2014. This was contributed by the client deliveries from the Philippines and Indian subsidiaries and Indonesian assets acquired by the Group in June 2013.

Gross profit increased by 28.5% or S$1.7 million due to the increase in new client deliveries. Gross profit margin decreased marginally from 70.6% in 1QFY2013 to 69.2% in 1QFY2014. Cost of sales increased by 37.4%, in line with the increase in revenue.

Selling & marketing expenses and administrative expenses increased by 89.7% and 63.8% respectively in 1QFY2014, mainly due to the inclusion of the Philippines and Indian subsidiaries and Indonesian assets which were acquired in June 2013. Excluding these, selling and marketing expenses will have increased by 24.7% or S$0.4 million in 1QFY2014 due to higher educational and marketing activities.

The increase in selling & marketing expenses and administrative expenses was also attributable to costs incurred during the process of new product development. These include costs of additional head count and costs incurred to introduce and educate our partners on such new products. In addition, there were expenses incurred in relation to restructuring of the Group’s Indian and Philippines subsidiaries subsequent to the acquisition in June 2013. Such one-time costs were incurred in order to align these entities as part of the group. The total new product development and restructuring costs amount to $288,000 in 1QFY2014. There were no such costs in 1QFY2013.
As at September 30, 2013, the Group maintained a strong balance sheet, with cash and cash equivalents of S$20.2 million and a low gearing of 0.07 times. NAV increased by 10.4% to 36.79 cents as at September 30, 2013, as compared to 33.32 cents as at June 30, 2013.

Industry prospects

According to the latest government statistics, the total number of births in Singapore was 42,663 in 2012, representing a 7.4% increase from the 39,654 births in 2011. Total fertility rate improved from 1.20 to 1.29 over the same period. Given the Singapore government’s push to encourage Singaporeans to marry and have children, analysts expect a perk-up in birth rates from 2014, which could benefit Cordlife. Key initiatives in the S$2 billion Marriage & Parenthood Package rolled out in January 2013 include enhanced support for medical costs related to childbirth, such as an increase in the Baby Bonus cash scheme and extension of the Child Development Account (CDA), which many of Cordlife’s clients tap into to pay for its services.

In a report dated 10 April 2013 (the “Deloitte Report”) by Deloitte & Touche Financial Advisory Services Limited (“Deloitte”), Singapore and Hong Kong are shown to have high penetration rates of private cord blood banking at approximately 19% in 2011. In Singapore, the projected penetration level is expected to reach 26% by 2015, mainly driven by effective marketing activities by established companies, and increasing public awareness and acceptance levels. The private cord blood banking segment’s incremental cord blood storage is projected to grow at a Compound Annual Growth Rate (CAGR) of 9% from 2011 to 2015.

According to the Deloitte Report, the 2007–2011 CAGR of annual incremental storage units for private cord blood banks in Indonesia, the Philippines and India are at 38% for Indonesia, and 35% for the Philippines and India respectively. The cord blood and cord tissue banking operations in India, the Philippines and Indonesia have developed rapidly, on the back of the fast-rising middle class in these countries seeking better healthcare options for their children.

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In China, the penetration rate of private cord blood banking is still low at 2.2% in 2011, indicating much room to grow for the sector, which is expected to do so at a forecast CAGR of 23% by 2015, according to the Deloitte Report. The China’s middle-class population is estimated to grow from 290 million in 2011 to a projected 590 million by 2025, which means a progressively larger customer pool for cord blood bank operations.

A Focused Growth-Path through Economies of scale and scope

To derive economies of scale, Cordlife is riding on the growth story of emerging Asian nations by expanding its geographical footprint for cord blood and tissue banking business as well as other newly-introduced products catering to the mother and child segment. Initiatives under this strategy include:

• On November 11, 2013, Cordlife announced that it has signed a non-binding term sheet with CCBC, to jointly explore and develop new services based on cellular technologies. This collaboration will enable the Group to capitalise on economies of scale by expanding its geographical reach via CCBC’s local networks.

• On October 4, 2013, the Group announced that it has completed the acquisition of a 19.92% interest in StemLife Berhad (“StemLife”), a company listed on Bursa Malaysia. Through the strategic stake in StemLife, the Group could potentially work with StemLife to cross-sell services and products in Malaysia and Thailand.

• On June 28, 2013, the Group announced that it has completed the acquisition of Australia-listed Life Corporation Limited’s (“LCL”) (previously known as Cordlife Limited) cord blood and cord tissue banking businesses and assets in India, the Philippines, Hong Kong and Indonesia (the “CSCT Acquisition”) for an aggregate consideration of A$5.5 million.

• On November 12, 2012, the Group completed the acquisition of 10% of issued shares in NYSE-listed China Cord Blood Corporation (“CCBC”) and the disposal of our 10% indirect stake in China Stem Cells (South) Company Limited (“CSCS”).

To benefit from economies of scope, the Group is also transitioning into a multi-product healthcare company catering to the mother and child segment. In addition to providing cord blood and tissue banking services, the Group is looking to provide other complementary
products and services that cater to the mother and child segment. Initiatives under this strategy include:

- On October 17, 2013, Cordlife announced that it signed a non-binding Memorandum of Understanding with Golden Meditech Holdings Limited in respect of a proposed joint venture (“JV”) in the Shanghai Free Trade Pilot Zone in October 2013. With the proposed JV, Cordlife will be able to market and distribute its products and services in China through Golden Meditech’s local networks.

- In October 2013, the Group’s Indian subsidiary Cordlife India introduced an advanced non-invasive metabolic screening service known as MetaScreen. MetaScreen is a comprehensive set of metabolic screening test specially designed for both newborn babies and adults. The service can detect as many as 110 inborn errors of metabolism from urine samples.

- 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. This new service was also launched in May 2013 in Singapore and August 2013 in the Philippines.

To fund the Group’s growth initiatives while concurrently strengthening its shareholder base, Cordlife completed a private placement on October 16, 2013 and raised gross proceeds of $33.5 million. For the private placement, the Group issued 26.8 million shares at $1.25 each. Of the total proceeds, $23.5 million will fund its expansion plans abroad, including investments, joint ventures, acquisitions or strategic alliances, while the rest will be used for general working capital purposes.

Mr Yee continued: “Cordlife is currently benefitting from economies of scale and scope as a multi-product healthcare company, with new products in the pipeline catering to the mother and child segment, on top of its existing core businesses in cord blood banking and umbilical cord tissue banking. 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 FY2014.”

- 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 multi-product healthcare company catering to the mother and child segment and a leading cord blood and tissue banking services provider. Amongst the first private cord blood banks in Asia, Cordlife has established a dominant market leader position in Singapore⁴. 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. Cordlife completed the acquisition of the cord blood and cord tissue banking businesses and assets in India, the Philippines and Indonesia from Australia-listed Life Corporation Limited (formerly known as Cordlife Limited) in June 2013.

Cordlife, through its collaborative relationships or 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 services in Singapore. Overseas, the Group has a 10% direct stake in China Cord Blood Corporation – a top operator in China holding majority shares in the Beijing, Guangdong and Zhejiang Cord Blood Banks, and an approximately 20% share in Shandong Cord Blood Bank. In October 2013, Cordlife also acquired a 19.92% stake in StemLife Berhad, 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.

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; and 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; and Baby Kingdom Top 10 Family Brand Award 2012⁵. 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 Award 2013” in the Retail & Household Goods Category and Mainboard Small Caps Category at the 14th SIAS Investors’ Choice Awards.

ISSUED ON BEHALF OF : Cordlife Group Limited

⁴ Source: Deloitte & Touche Financial Advisory Services Limited report, 10 April 2013
⁵ Awarded to Cordlife (Hong Kong) Limited