Cordlife’s 1HFY2014 net profit rises 52.9% to S$12.9 million, due to one-off items

- **Revenue surges 31.3% as strong client deliveries from India, Indonesia and the Philippines offset lower Hong Kong contributions due to ban on mainland Chinese women’s deliveries**

- **Board of Directors declares interim dividend of 1.0 cent to reward shareholders**

- **Benefiting from economies of scale and scope as a multi-product healthcare company catering to the mother and child segment**

Singapore, 11 February 2014 – Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), a multi-product healthcare company catering to the mother and child segment, reported that its net profit for the first 6 months ended 31 December 2013 (“1HFY2014”) increased 52.9% to S$12.9 million year-on-year (yoy) on the back of healthy revenue growth, strong margins, a S$5.4 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 31.3% over the same period, up from S$17.9 million for the first 6 months ended 31 December 2012 (“1HFY2013”) to S$23.5 million for 1HFY2014 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$3.4 million for 1HFY2014 versus S$4.5 million for 1HFY2013. This is mainly attributable to the inclusion of the Group’s 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 of the Group’s products and services so that the Group can establish a leadership position in these countries. In addition to the above, the Group also incurred expenses 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.

¹ These include the Group’s share of loss in associate of S$2.1 million, fair value gain on long-term investment of S$5.4 million and gain on transfer of investment in associate to long-term investment of S$6.2 million in 1HFY2014 and gain on disposal of associate of S$2.7 million, share of gain in associate of S$1.3 million in 1HFY2013

*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.*
The HK government’s moratorium on mainland Chinese mothers giving birth at private hospitals in Hong Kong, which came into effect beginning of 2013, had impacted on the Group’s 1H FY2014 revenue. Notwithstanding, the Group’s revenue grew 31.3% over the same period, up from S$17.9 million to S$23.5 million as strong contributions from India, Indonesia and the Philippines markets offset the lower contribution from Hong Kong.

While it remains unclear when the moratorium on women from mainland China giving birth at private hospitals in Hong Kong will be lifted, Deloitte researchers project the penetration rate for Hong Kong mothers to reach 25% by 2015, which still represents a sizable pool of potential customers for the private cord blood banking services. Moreover, according to Economist Intelligence Unit’s forecast mentioned in the Deloitte report, the birth rate in Hong Kong is expected to increase slightly, from 0.74% in 2011 to 0.76% in 2015.

The Board is pleased to announce an interim dividend of 1.0 Singapore cent, payable on 4 April 2014. While the Group does not have a formal dividend policy, the Board continues to evaluate the Group’s capital requirements and explore options to reward shareholders.

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. With the completion of the acquisition of businesses and assets in India, the Philippines, Hong Kong and Indonesia from Australia-listed Life Corporation Limited and a 31.81% interest in Malaysia-listed StemLife Berhad. StemLife has started to contribute positively to the Group’s bottom line from 2QFY2014 onwards through share of profits in associate. With our scale strategy, Cordlife is now well-positioned to benefit from the tremendous growth opportunities in Asia driven by rising affluence and greater health awareness.”

“In terms of scope, the Group is 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 Company is looking to provide other complementary products and services that cater to the mother and child segment, which will see us benefit from economies of scope. In October 2013, our Indian subsidiary Cordlife India introduced an advanced non-invasive metabolic screening service designed for both newborn babies and adults known as MetaScreen. In October and November last year, the Group also entered into non-binding agreements with Golden Meditech and China Cord Blood Corporation in the
distribution and development of new products and services. Overall, we remain focused on our key strategy to grow through collaborative networks, accretive acquisitions and providing secondary and complementary services.”

Financial Review

Revenue increased by 31.3% from S$17.9 million in 1HY2013 to S$23.5 million in 1HY2014. The increase in revenue was mainly due to an increase in the number of client deliveries, from approximately 4,500 in 1HY2013 to 7,400 in 1HY2014. This was contributed by the client deliveries from the Philippines and Indian subsidiaries and Indonesian assets acquired by the Group in June 2013.

The increase is offset by a drop in revenue for the Group’s Hong Kong subsidiary. This was due to a moratorium by the Hong Kong government on mainland Chinese mothers giving birth at private hospitals in Hong Kong starting 2013.

Gross profit increased by 26.9% or S$3.4 million due to the increase in new client deliveries. Gross profit margin decreased marginally from 71.4% in 1HY2013 to 69.0% in 1HY2014. Cost of sales increased by 42.2%, in line with the increase in revenue.

Selling and marketing expenses and administrative expenses increased by 65.4% and 57.6% respectively in 1HY2014, mainly due to the inclusion of the Philippines and Indian subsidiaries and Indonesian assets which were acquired in June 2013.

As at 31 December 2013, the Group maintained a strong balance sheet, with cash and cash equivalents of S$48.5 million and a low gearing of 0.10 times. Net asset value per ordinary share increased by 46.1% to 48.74 cents as 31 December 2013, as compared to 33.36 cents as at 30 June 2013.

The increase in cash and cash equivalents was due to net proceeds of S$32.9 million from the issue of new shares from a private placement completed on 14 October 2013. The increase is offset by payment of dividends, final payment for the acquisition of
Australia-listed Life Corporation Limited’s cord blood and cord tissue banking businesses and assets and payment for the acquisition of a 31.81% interest in StemLife Berhad (“StemLife”) in 1HFY2014. The Group also generated positive cash flows from operating activities for 1HFY2014. Overall, the Group has a net cash position of S$35.6 million.

**Industry prospects**

According to the latest government statistics, the total number of births in Singapore was 39,874 in 2013, representing a 6.5 decrease from the 42,663 births in 2012. Total fertility rate decreased from 1.29 to 1.20 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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3 Source: The Straits Times, January 21, 2013, ‘White Paper ‘to benefit property, transport’
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 9 December 2013, the Group announced that it has acquired a further 11.89% interest (“Additional Acquisition”) in StemLife, an associated company of Cordlife which is listed on the ACE Market of Bursa Malaysia, for a cash payment of approximately RM17.66 million. Following the Additional Acquisition, Cordlife will hold approximately 31.81% of the issued and paid-up share capital in StemLife. The Consideration for the Additional Acquisition was satisfied by the Group fully in cash funded through a combination of borrowings and IPO proceeds. Prior to this, the Group announced on 4 October 2013 that it had completed the acquisition of an initial 19.92% interest in StemLife.

- On 11 November 2013, Cordlife announced that it has signed a non-binding term sheet with NYSE-listed China Cord Blood Corporation (“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 28 June 2013, the Group announced that it has completed the acquisition of Australia-listed Life Corporation Limited’s (previously known as Cordlife Limited) cord blood and cord tissue banking businesses and assets in India, the Philippines, Hong Kong and Indonesia for an aggregate consideration of A$5.5 million.
• On 12 November 2012, the Group completed the acquisition of 10% of issued shares in CCBC and the disposal of our 10% indirect stake in China Stem Cells (South) Company Limited.

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 17 October 2013, Cordlife announced that it signed a non-binding Memorandum of Understanding with Golden Meditech Holdings Limited (“Golden Meditech”) 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 Services (India) Pvt. Ltd., 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.  

Mr Yee continued: “We believe that growth for the Group is sustainable in the long term through the interaction of economies of scale and scope. This essentially means the expansion of the Group’s geographical footprint as part of our horizontal growth plans, as well as vertical growth in terms of the scope of products and services that we will be providing. Going forward, the Group is cautiously optimistic that its strong market position...”

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4 The storage and banking of umbilical cord tissue services provided is currently not licensed by the Ministry of Health, Singapore and this service is provided on a research/clinical trial basis.
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 Singapore⁵. 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 cord blood bank 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, which was subsequently increased to approximately 31.81% in December 2013, in StemLife Berhad. StemLife Berhad 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.

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; and Baby Kingdom Top 10 Family Brand Award 2012⁶. 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 14th SIAS Investors’ Choice Awards.

⁵ Source: Deloitte & Touche Financial Advisory Services Limited report, 10 April 2013
⁶ Awarded to Cordlife (Hong Kong) Limited
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