CORDLIFE GROUP LIMITED

First Quarter Unaudited Financial Statements for the Period Ended 30 September 2014

PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group 3 months ended 30 September		+/(-) Increase/ (Decrease)
	2014	**2013**	
	$'000	$'000	%
Revenue	13,259	11,330	17.0
Cost of sales	(4,199)	(3,495)	20.1
Gross profit	9,060	7,835	15.6
Other operating income	179	55	>100
Selling and marketing expenses	(4,358)	(3,202)	36.1
Administrative expenses	(3,215)	(2,977)	8.0
Finance income	77	48	60.4
Finance costs	(39)	(37)	5.4
Profit before income tax from operations*	1,704	1,722	(1.0)
Share of results of associates	(20)	(2,139)	(99.1)
Fair value changes on financial asset designated at fair value through profit or loss	(4,917)	3,123	n.m.
Gain on transfer from associate to financial asset designated at fair value through profit or loss	–	6,177	n.m.
(Loss)/profit before income tax	(3,233)	8,883	n.m.
Income tax expense	(324)	(212)	52.8
(Loss)/profit for the financial period	(3,557)	8,671	n.m.

*In order to provide more clarity to readers, the Group has presented separately its share of results of associates and fair value changes from its profit before income tax from operations.

n.m. denotes not meaningful

1(a)(i) An income statement and statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Group 3 months ended 30 September		+/(-) Increase/ (Decrease)
	2014	2013	
	$'000	$'000	%
Other comprehensive (expense)/income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustment on transfer of investment in associate to financial asset designated at fair value through profit or loss	–	(341)	n.m.
Share of foreign currency translation of associates	–	156	n.m.
Foreign currency translation	(476)	(525)	(9.3)
Total comprehensive (expense)/income for the year	(4,033)	7,961	n.m.
(Loss)/profit for the year attributable to:			
- Shareholders of the company	(3,462)	8,666	n.m.
- Non-controlling interest	(95)	5	n.m.
	(3,557)	8,671	n.m.
Total comprehensive (expense)/income for the year attributable to:			
- Shareholders of the company	(3,933)	8,377	n.m.
- Non-controlling interest	(100)	(7)	>100
	(4,033)	8,370	n.m.

1(a)(ii) Notes to the income statement

	Group 3 months ended 30 September		
	2014	**2013**	
	$'000	$'000	
Depreciation of property, plant and equipment	338	300	[1]
Amortisation of intangible asset	58	22	
(Write-back of allowance)/Allowance for doubtful debts and bad debts written off	(4)	8	
Foreign exchange gain	(33)	(39)	
Other miscellaneous income	78	55	

Notes

1. The increase in depreciation was due to the additional laboratory equipment purchased for Cordlife Sciences India to accommodate the increased sales volume.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group As at		Company As at	
	30 September 2014 $'000	**30 June 2014** $'000	**30 September 2014** $'000	**30 June 2014** $'000
ASSETS				
Non-current assets				
Investment in associate	16,836	16,819	18,230	18,220
Investment in subsidiaries	–	–	21,034	21,034
Financial asset designated at fair value through profit or loss	45,577	50,494	45,577	50,494
Property, plant and equipment	8,785	8,409	6,699	6,545
Investment properties	4,130	4,830	4,130	4,830
Intangible assets	2,158	1,941	678	424
Trade receivables	46,522	45,961	39,850	39,258
Other receivables	17	229	17	18
	124,025	128,683	136,215	140,823
Current assets				
Cash and cash equivalents	24,740	32,643	20,371	28,451
Fixed deposit	11,888	11,778	11,500	11,500
Pledged fixed deposits	1,540	348	–	–
Short term investments	509	988	–	–
Trade receivables	14,472	12,890	6,368	6,858
Other receivables	2,278	1,054	1,292	397
Prepayments	2,465	1,678	1,036	733
Inventories	633	645	228	233
Amounts owing by subsidiaries	–	–	7,246	6,156
	58,525	62,024	48,041	54,328
Current liabilities				
Trade and other payables	10,380	8,887	3,926	4,615
Deferred revenue	3,879	5,378	2,565	3,123
Amounts owing to subsidiaries	–	–	2,145	1,917
Tax payable	1,825	1,558	1,427	1,296
Interest-bearing borrowings	4,448	4,448	4,448	4,448
	20,532	20,271	14,511	15,399
Net current assets	37,993	41,753	33,530	38,929

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (cont'd)

	Group As at		Company As at	
	30 September 2014 $'000	**30 June 2014** $'000	**30 September 2014** $'000	**30 June 2014** $'000
Non-current liabilities				
Other payables	82	81	–	–
Deferred revenue	22,143	20,473	12,752	12,160
Deferred tax liabilities	198	188	226	226
Interest-bearing borrowings	8,312	8,402	8,312	8,402
Amounts owing to subsidiary	–	–	20,825	21,035
	30,735	29,144	42,115	41,823
Net assets	131,283	141,292	127,630	137,929
Capital and reserves				
Share capital	96,657	96,657	96,657	96,657
Treasury shares	(9,901)	(3,898)	(9,901)	(3,898)
Accumulated profits	47,897	51,359	40,380	44,703
Other reserves	(3,088)	(2,644)	494	467
Non-controlling interests	(282)	(182)	–	–
Total equity	131,283	141,292	127,630	137,929

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

	As at	
	30 September 2014 $'000	**30 June 2014** $'000
Amount repayable in one year or less, or on demand		
- Loan I –secured	268	268
- Loan II – secured	3,500	3,500
- Loan III – secured	680	680
Amount repayable after one year		
- Loan I –secured	5,592	5,682
- Loan II – secured	–	–
- Loan III – secured	2,720	2,720
	12,760	12,850

Loan I, Loan II and Loan III are secured by:

a) First legal mortgage of the Company's Property;

b) The assignment of the rights, title and interest with respect to the Property; and

c) Charge over all current receivables of the Company.

Loan I is drawn-down in different tranches and repayable in 240 monthly instalments. It will be repaid in full in June 2031.

Loan II is a revolving loan facility and is repayable on demand.

Loan III is a 5 year term loan with yearly principal repayments. It will be repaid in full in November 2018.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group 3 months ended 30 September	
	2014	**2013**
	$'000	$'000
Operating activities		
(Loss)/profit before income tax	(3,233)	8,883
Adjustments for:		
Depreciation	338	300
Amortisation	58	55
Gain on disposal of investment property	(54)	–
Interest income	(77)	(48)
Interest expense	39	37
Share based compensation expense	27	–
Reversal of over-provision of doubtful debts	(4)	–
Share of results of associate	20	2,139
Unrealised share of other income from associates	(27)	–
Fair value changes on financial asset designated at fair value through profit or loss	4,917	(3,123)
Gain on transfer of investment in associate to financial asset designated at fair value through profit or loss	–	(6,177)
Unrealised exchange gain	(440)	(243)
Operating cash flows before movements in working capital	1,564	1,823
Increase in trade receivables	(2,138)	(1,011)
Increase in other receivables, deposits and prepayments	(1,743)	(730)
Decrease/(increase) in inventories	12	(6)
Increase/(decrease) in trade and other payables	1,482	(494)
Increase/(decrease) in deferred revenue	171	(356)
Cash used in operations	(652)	(774)
Interest received	20	48
Interest paid	(40)	(37)
Income tax paid	(22)	–
Net cash used in operating activities	(694)	(763)
Investing activities		
Purchase of property, plant and equipment	(705)	(345)
Purchase of intangible assets	(274)	(69)
Proceeds from disposal of investment properties	754	–
Redemption/(placement) of short term investment	480	(229)
Transfer (to)/from term deposits	(110)	3,500
Acquisition of subsidiaries	–	(1,590)
Net cash generated from investing activities	145	1,267

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Group 3 months ended 30 September	
	2014	**2013**
	$'000	$'000
Financing activities		
Pledged fixed deposits	(1,192)	–
Repayment of interest-bearing borrowings	(90)	(61)
Purchase of treasury shares	(6,003)	–
Net cash used in financing activities	(7,285)	(61)
Net (decrease)/increase in cash and cash equivalents	(7,834)	443
Cash and cash equivalents at the beginning of the financial period	32,643	7,986
Effects of exchange rate changes on the balance of cash	(69)	(257)
Cash and cash equivalents at end of the financial period	24,740	8,172

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Share capital $'000	Treasury Shares $'000	Accumulated profits $'000	Capital reserve $'000	Merger reserve $'000	Acquisition reserve $'000	Foreign currency translation account $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2013	53,548	(103)	26,176	568	534	(2,184)	(931)	(45)	77,563
Profit for the period	–	–	8,666	–	–	–	–	5	8,671
Other comprehensive income/(expense)									
- Net effect of foreign currency translation	–	–	–	–	–	–	(513)	(12)	(525)
- Share of other comprehensive income of associate	–	–	–	–	–	–	156	–	156
- Transfer of investment in associate to financial asset designated at fair value through profit or loss	–	–	–	–	–	–	(341)	–	(341)
Total comprehensive income/(expense) for the financial period, net of tax	–	–	8,666	–	–	–	(698)	(7)	7,961
Balance at 30 September 2013	53,548	(103)	34,842	568	534	(2,184)	(1,629)	(52)	85,524

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Company	**Share capital** $'000	**Treasury shares** $'000	**Accumulated profits** $'000	**Capital reserve** $'000	**Total** $'000
Balance at 1 July 2013	53,548	(103)	16,818	422	70,685
Profit for the period, representing total comprehensive income for the year	–	–	10,836	–	10,836
Balance at 30 September 2013	53,548	(103)	27,654	422	81,521

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Group	Share capital $'000	Treasury shares $'000	Accumulated profits $'000	Share-based compensation reserve $'000	Capital reserve $'000	Merger reserve $'000	Acquisition reserve $'000	Foreign currency translation account $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2014	96,657	(3,898)	51,359	45	568	534	(2,184)	(1,607)	(182)	141,292
Loss for the year	–	–	(3,462)	–	–	–	–	–	(95)	(3,557)
Other comprehensive expense for the year, net of tax										
- Net effect of foreign currency translation	–	–	–	–	–	–	–	(471)	(5)	(476)
Total comprehensive expense for the year, net of tax	–	–	(3,462)	–	–	–	–	(471)	(100)	(4,033)
Contributions by and distributions to owners										
Purchase of treasury shares	–	(6,003)	–	–	–	–	–	–	–	(6,003)
Grant of share awards to employees	–	–	–	27	–	–	–	–	–	27
Total contributions by and distributions to owners	–	(6,003)	–	27	–	–	–	–	–	(5,976)
Balance at 30 September 2014	96,657	(9,901)	47,897	72	568	534	(2,184)	(2,078)	(282)	131,283

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Company	**Share capital** $'000	**Treasury shares** $'000	**Accumulated profits** $'000	**Capital reserve** $'000	**Share-based compensation reserve** $'000	**Total** $'000
Balance at 1 July 2014	96,657	(3,898)	44,703	422	45	137,929
Loss for the period, representing total comprehensive expense for the year	–	–	(4,323)	–	–	(4,323)
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	–	(6,003)	–	–	–	(6,003)
Grant of share awards to employees	–	–	–	–	27	27
Total contributions by and distributions to owners	–	(6,003)	–	–	27	(5,976)
Balance at 30 September 2014	96,657	(9,901)	40,380	422	72	127,630

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Company	Number of shares	Share capital (S$)
As at 30 June 2014	264,103,354	96,656,721
Purchase of treasury shares[1]	(4,806,000)	–
As at 30 September 2014	**259,297,354**	**96,656,721**

[1] As at 30 September 2014, the Company held 8,228,000 (30 June 2014: 3,422,000) treasury shares against 259,297,354 (30 June 2014: 264,103,354) issued ordinary shares excluding treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 30 September 2014 No. of shares	As at 30 June 2014 No. of shares
Total number of issued shares excluding treasury shares	259,297,354	264,103,354

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which standard

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in note (5) below, the financial statements for the current period reported on has been presented using the same accounting policies and methods of computation as presented in the issuer's most recently audited financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all new and revised Financial Reporting Standard (FRS) and Interpretations of FRS (INT FRS) which became effective for the financial year beginning 1 July 2014.

The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies and has no material/significant impact on the financial statements of the Group for the current reporting period or prior years reporting period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group 3 months ended 30 September	
Basic Earnings Per Share	**2014**	**2013**
Earnings per ordinary share of the group for the financial year based on net profit attributable to shareholders of the Company:		
(Loss)/profit attributable to shareholders of the Company (S$ '000)	(3,557)	8,671
Weighted average number of shares in issue during the period ('000)	262,256	232,687
Basic (loss)/earnings per share based on weighted average number of ordinary shares (cents)	(1.36)	3.73
Diluted Earnings Per Share		
Earnings per ordinary share of the group for the financial year based on net profit attributable to shareholders of the Company:		
(Loss)/profit attributable to shareholders of the Company (S$ '000)	(3,557)	8,671
Weighted average number of shares in issue during the period ('000)	262,256	232,687
Diluted (loss)/earnings per share based on weighted average number of ordinary shares (cents)	(1.36)	3.73

Notes:

Basic earnings per share are calculated by dividing profit net of tax, attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share are calculated by dividing profit net of tax, attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares shall be treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30 September 2014 (cents)	30 June 2014 (cents)	30 September 2014 (cents)	30 June 2014 (cents)
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares at the end of the period reported on	50.63	53.50	49.22	52.23

The number of shares in issue and used in calculating the net asset value per share as at 30 September 2014 and 30 June 2014 is 259,297,354 and 264,103,354 shares respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

COMPARING 3 MONTHS ENDED 30 SEPTEMBER 2014 ("1QFY2015") AGAINST 3 MONTHS ENDED 30 SEPTEMBER 2013 ("1QFY2014")

Income Statement

Revenue

Revenue increased by 17.0% or S$2 million from S$11.3 million in 1QFY2014 to S$13.3 million in 1QFY2015. The increase in revenue was due to an increase in the number of client deliveries, from approximately 3,500 in 1QFY2014 to 5,100 in 1QFY2015. 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 spend in the Group's Indian subsidiary to increase brand awareness amongst its prospective clients and establish its presence in more cities.

Cost of sales

Cost of sales increased by 20.1% or S$0.7 million, in line with our increase in revenue.

Gross profit and gross profit margin

Gross profit increased by 15.6% or S$1.2 million due to the increase in new client deliveries.

Gross profit margin decreased marginally from 69.2% in 1QFY2014 to 68.3% in 1QFY2015 due mainly to an increase in revenue contribution from operations with lower margins.

Other operating income

Other operating income increased by approximately S$124,000, mainly from a gain on disposal of investment property and rental income generated from the Company's investment properties of approximately S$54,000 and S$47,000 respectively. There were no such gain on disposal and rental income in 1QFY2014.

Selling and marketing expenses

Selling and marketing expenses increased by 36.1% or S$1.2 million in 1QFY2015. This was mainly attributable to the Group's Indian subsidiary where selling and marketing expenses increased by S$1.3 million. Television commercials were aired in the Indian market for the first time as part of a through-the-line integrated marketing plan, which alone accounted for approximately S$500,000 during the period. There was also an increase in newspaper advertising, digital marketing and client activation activities. These additional promotional activities had been strategically planned to increase existing market share in India.

The increase was offset by a decrease in marketing spend in Singapore by S$0.2 million due to the adoption of a more cost efficient marketing strategy in Singapore, which achieved economies of scope through offering both cord blood banking and cord lining banking via the same sales and marketing channels.

Administrative expenses

Administrative expenses increased by 8.0% or S$ 238,000 in 1QFY2015 due mainly to increase in staff cost from annual salary increments and an increase in the number of full time employees.

Profit before income tax from operations

As a result of the foregoing, our profit before income tax from operations in 1QFY2015 remained comparable to 1QFY2014 at S$1.7 million.

Share of results in associate

Our share of loss in associate was S$20,000 for 1QFY2015 as compared to our share of loss of S$2.3 million for 1QFY2014.

In FY2014, the Group completed its acquisition of 31.81% of the issued shares in StemLife Berhad ("StemLife"). In 1QFY2015, the Group accounted for its share of profit in StemLife amounting to approximately S$15,000, offset by amortisation of intangibles arising from the acquisition of S$35,000.

In 1QFY2014, share of results in associate of approximately S$2.3 million related to share of loss in China Cord Blood Corporation ("CCBC"). The loss is mainly attributable to cash and non-cash expenses incurred as a result of the convertible notes issued by CCBC as well as the non-cash fair value losses derived from such financial instruments. On 27 September 2013, Mr Yee Pinh Jeremy stepped down from the board of directors of CCBC. The Group is of the view that it has lost significant influence over CCBC and no longer regard its investment in CCBC as an associate. The Group ceased to equity account for CCBC's results with effect from 27 September 2013 and the investment in associate was transferred to financial asset designated at fair value through profit or loss. A gain on the transfer of approximately S$6.3 million was recognised in 1QFY2014.

Fair value changes on financial asset designated at fair value through profit or loss

The Group recorded fair value loss on its investment in CCBC designated at fair value through profit or loss of S$4.9 million in 1QFY2015 (1QFY2014: gain of S$3.2 million). The fair value changes are computed based on the changes in CCBC's last traded price as at 30 June 2014 of US$5.52 (S$6.90) and 30 September 2014 of US$4.89 (S$6.23) for 1QFY2015 (1Q2014 : changes in CCBC's traded price as at the transfer date of 27 September 2013 of US$3.46 (S$4.34) and the reporting date of 30 September 2013 of US$3.80 (S$4.77)). The fair value changes are recognised directly in the profit or loss.

(Loss)/profit before income tax

As a result of the foregoing, our profit before income tax decreased by S$12.2 million from a profit of S$8.9 million in 1QFY2014 to a loss before income tax of S$3.2 million in 1QFY2015.

Income tax expense

The effective tax rate was approximately 10.0% and 2.4% for 1QFY2015 and 1QFY2014 respectively. In 1QFY2015, the share of results of associates was reported net of tax and fair value changes on financial asset designated at fair value through profit or loss were not taxable. In 1QFY2014, the share of results of associates was reported net of tax, and the fair value changes on financial asset designated at fair value through profit or loss and the gain on transfer from associate to financial asset designated at fair value through profit or loss were not taxable. Adjusting for these non-taxable items, the effective tax rate for 1QFY2015 was 19%, compared to an effective tax rate of 12.3% for 1QFY2014. The increase in effective tax rate in 1QFY2015 was due mainly to increase in contribution by subsidiaries in higher tax regimes.

Balance sheet

As at 30 September 2014, the Group maintained a strong balance sheet, with cash and cash equivalents, fixed deposits and short-term investments of S$37.1 million (30 June 2014: S$45.4 million). The decrease in cash and cash equivalents was mainly due to purchase of treasury shares amounting to approximately S$6.0 million. It was also due to net cash used in operating activities of approximately S$0.7 million which comprised mainly operating cash flows before movements in working capital of S$1.6 million, net working capital outflow of S$2.2 million, net interest payment of S$0.02 million and tax payment of S$0.02 million.

Net working capital outflow of approximately S$2.2 million was due to the following:

- increase in trade receivables of approximately S$2.1 million;
- increase in other receivables, deposits and prepayments of approximately S$1.7 million;
- increase in trade and other payables of approximately S$1.5 million and
- decrease in deferred revenue of approximately S$0.2 million.

The Group's interest in CCBC is recognised as a financial asset designated at fair value through profit or loss. It is valued based on CCBC's last traded share price as at 30 September 2014 of US$4.89 (S$6.23) (as at 30 June 2014: US$5.52 (S$6.90)). The investment in associate as at 30 September 2014 represents the Group's 31.81% interest in StemLife.

The pledged fixed deposit relates to fixed deposit pledged with a bank to secure credit card instalment facility for our Hong Kong operations and a banker's guarantee. The increase in pledged fixed deposit was due mainly to approximately S$1.2 million fixed deposit pledged with a bank to secure a banker's guarantee issued to a vendor.

Non-current trade receivables represents cord blood and umbilical cord lining banking service revenues receivable under instalment payment plans that have yet to be billed to the customer. Upon billing, the billed amount will be receivable under the same terms as the current trade receivables.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable as no forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Industry prospects

According to the latest government statistics, the total number of births in Singapore was 39,720 in 2013, representing a 6.9% decrease from the 42,663 births in 2012. Total fertility rate decreased from 1.29 to 1.19 over the same period[1]. Given the Singapore government's push to encourage Singaporeans to marry and have children, analysts expect a pick-up in birth rates from 2014, which could benefit Cordlife[2]. 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. To mark the Golden Jubilee, the 50th anniversary of Singapore's independence, the National Population and Talent Division announced[3] on June, 27 2014 that parents of Singapore's Jubilee babies (i.e. babies born in 2015) can look forward to receiving a Jubilee Baby Gift to welcome every Singaporean baby born in the year. We are cautiously optimistic that the Golden Jubilee will have a positive effect on birth rates in Singapore in 2015.

In a report dated October 2014 (the "Deloitte Report") by Deloitte & Touche Financial Advisory Services Limited ("Deloitte"), private cord blood banking in Singapore is shown to have a high penetration rate at approximately 22.0% in 2013. The projected penetration level in Singapore is expected to reach 22.4% by 2018, mainly driven by effective marketing activities by established companies, and increasing public awareness and acceptance levels. In the case of Hong Kong, the penetration rate of private cord blood banking is expected to grow from 7.5% in 2013 to 10.3% in 2018.

According to the Deloitte Report, the expected 2013–2018 CAGR of annual incremental storage units for private cord blood banks in India, Indonesia and the Philippines are 39%, 30% and 26% respectively. The cord blood 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. By 2018, the penetration rates of private cord blood banking in India, Indonesia and the Philippines are expected to grow to 3.6%, 0.7% and 0.4% respectively.

In China, the penetration rate of private cord blood banking is still low at 2.1% in 2013, indicating much room to grow for the sector, which is expected to do so at a forecast CAGR of 21% between 2013 and 2018, according to the Deloitte Report. China's growing middle-class population, indicative of a progressively larger customer pool for cord blood banking operations, is expected to result in the penetration rate of private cord blood banking increasing to 5.2% in 2018.

---

[1] Source: Website of the Department of Statistics, Singapore. http://www.singstat.gov.sg/statistics/latest_data.html#16. Accessed May 6, 2014

[2] Source: The Straits Times, January 21, 2013, "White Paper 'to benefit property, transport"

[3] Source: Media Release by the National Population and Talent Division, 27 June 2014, http://www.heybaby.sg/jubilee/files/press-release-final-jbg-items.pdf

Economies of scale and scope strategy

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 umbilical cord lining banking business as well as other newly-introduced products catering to the mother and child segment. Initiatives under this strategy include:

- On 10 November 2014, the Group announced that it had completed the acquisition of a convertible note issued by CCBC for approximately US$44 million, which will result in its interest in CCBC rising to approximately 17.79% of the enlarged share capital of CCBC, assuming full conversion of the note.
- On 3 March 2014, the Group announced that it had extended its strategic alliance and co-operation with CordLabs Asia Pte. Ltd. ("CAP") and NYSE-listed CCBC, in relation to the provision of human postnatal umbilical cord tissue storage services to certain territories in the People's Republic of China.
- On 9 December 2013, the Group announced that it had acquired a further 11.89% interest ("Additional Acquisition") in Stemlife, an associated company of Cordlife listed on the ACE Market of the Bursa Malaysia, for a cash payment of approximately RM17.66 million. Following the Additional Acquisition, Cordlife holds 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, the Group announced that it had signed a non-binding term sheet with NYSE-listed 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 had completed the acquisition of Australia-listed Life Corporation Limited's (previously known as Cordlife Limited) cord blood and umbilical cord lining 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 its 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 umbilical cord lining 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 the following:

- On 30 April 2014, the Group announced that it has entered into a licensing agreement with Stemlife, to jointly explore and develop umbilical cord tissue related new services based on cellular technology in Malaysia.
- In April 2014, Metascreen™ was launched in both the Philippines and Hong Kong.
- 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 lining banking service in Hong Kong, offering an additional service that allows customers to collect and store their child's umbilical cord lining, 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. [4]

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 and excluding fair value changes on financial asset designated at profit or loss, share of result of associate and any other one-off items, the Group expects to remain profitable for FY2015.

11. Dividends

(a) ***Current financial period reported on***

Any dividend recommended for the current financial period reported on? No

(b) ***Corresponding period of the immediately preceding financial year***

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) ***The date the dividend is payable.***

Not applicable.

(d) ***Book closure date.***

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the current financial period reported on.

13. Interested person transactions

The Company has not obtained a general mandate from shareholders for interested person transactions.

There were no interested person transactions for the financial period reported on.

[4] The storage and banking of umbilical cord lining services provided is currently not licensed by the Ministry of Health, Singapore and this service is provided on a research/clinical trial basis.

14. Confirmation Pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements of the Company and the Group for the three months ended 30 September 2014 presented in this announcement, to be false or misleading in any material aspect.

15. Disclosure on the use of IPO proceeds

As at 30 September 2014, the Group has utilised approximately S$24.4 million of the proceeds from the IPO of the Company as follows:

Intended Use of IPO Proceeds	Estimated amount S$ (in millions)	Estimated percentage of gross proceeds raised from the IPO	Amount utilised S$ (in millions)	Percentage of gross proceeds raised from the IPO
Development and expansion of business and operations in Singapore and overseas	16.6	55.9%	14.9	48.8%
Renovation of new headquarters and facility at Yishun, A'Posh Bizhub	3.0	10.1%	1.0	3.4%
Investments in infrastructure relating to information technology	2.0	6.7%	0.1	-
Working capital and general corporate purposes	4.7	15.8%	4.7	0.7%
Expenses incurred in connection with the IPO	3.4	11.5%	3.7	12.5%
	29.7	100.0%	24.4	65.3%

The numbers in the table above may not exactly add due to rounding.

The above utilisation of the Company's IPO Proceeds is in accordance with the intended use stated and percentage allocated in the disclosure on page 25 of the Company's prospectus dated 21 March 2012.

The Company will make further announcements via SGXNET as and when the balance of the IPO Proceeds are materially disbursed in accordance with Rule 704(30) of the Listing Manual of the SGX-ST.

By Order of the Board

Yee Pinh Jeremy
Executive Director and Chief Executive Officer
14 November 2014