CORDLIFE GROUP LIMITED

First Quarter Unaudited Financial Statements for the Period Ended 30 September 2016

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)
	2016	2015	
	$'000	$'000	%
Revenue	14,653	14,543	0.8
Cost of sales	(5,155)	(4,584)	12.5
Gross profit	9,489	9,959	(4.6)
Other operating income	236	112	>100.0
Selling and marketing expenses	(4,855)	(4,314)	12.5
Administrative expenses	(4,658)	(4,021)	15.8
Finance income	654	101	>100.0
Finance costs	(76)	(57)	33.3
Profit before income tax from operations *	799	1,780	(55.1)
Share of results of associate	–	60	n.m.
Fair value changes on financial asset designated at fair value through profit or loss	–	2,093	n.m.
Fair value changes on derivative	–	(4,812)	n.m.
Exchange differences	–	7,883	n.m.
Finance income	–	2,688	n.m.
Finance costs	(995)	(1,735)	(42.7)
(Loss)/profit before income tax	(196)	7,957	n.m.
Income tax expense	(363)	(361)	0.6
(Loss)/profit for the financial period	(559)	7,596	n.m.
Other comprehensive income/(loss) for the financial period, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Share of foreign currency translation of associate	–	(15)	n.m.
Foreign currency translation	(200)	(492)	(59.3)
Total comprehensive (loss)/income for the financial period	(759)	7,089	n.m.

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)
	2015	**2015**	
	$'000	$'000	%
Profit/(loss) for the financial period attributable to:			
- Shareholders of the company	(574)	7,256	n.m.
- Non-controlling interest	15	340	(95.6)
	(559)	7,596	n.m.
Total comprehensive income/(loss) for the financial period attributable to:			
- Shareholders of the company	(761)	6,739	n.m.
- Non-controlling interest	2	350	(99.4)
	(759)	7,089	n.m.

n.m. denotes not meaningful

*In order to provide more clarity to readers, the Group has presented separately its share of results of associate, fair value changes and exchange differences, finance income and finance costs that relate to the convertible bond, loan to third party and fixed rate note from its profit before income tax from operations.

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

	Group 3 months ended 30 September		
	2016	**2015**	
	$'000	$'000	
Depreciation of property, plant and equipment	438	395	[1]
Amortisation of intangibles	306	56	[2]
Allowance for doubtful debts and bad debts written off, net	10	–	
Foreign exchange gain	(53)	(12)	
Other miscellaneous income	236	112	[3]

Notes

1. The increase in depreciation is mainly due to depreciation of the property, plant and equipment of Stemlife Berhad ("Stemlife"), which became a subsidiary of the Group in December 2015.

2. The increase in amortisation is partly due to amortisation of intangibles of Stemlife, which became a subsidiary of the Group in December 2015, as well as amortisation of an enterprise resource planning software for Singapore.

3. The increase in other miscellaneous income is due to a grant from Spring Singapore ("SPRING") of approximately S$126,000 in the 3 months ended 30 September 2016 ("1QFY2017") for employee training and development. There was no such grant income in the 3 months ended 30 September 2015 ("1QFY2016").

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 2016 $'000	**30 June 2016** $'000	**30 September 2016** $'000	**30 June 2016** $'000
ASSETS				
Non-current assets				
Investment in subsidiaries	–	–	54,386	54,386
Available-for-sale asset	4,200	4,200	4,200	4,200
Property, plant and equipment	12,968	13,290	6,516	6,654
Investment properties	9,115	9,152	3,590	3,590
Intangible assets	14,303	14,686	1,776	1,969
Deferred tax assets	220	220	220	220
Trade receivables	61,242	60,510	45,535	45,535
Other receivables	4,213	4,317	4,213	4,212
Fixed deposits	1,983	–	–	–
	108,244	106,375	120,433	120,766
Current assets				
Cash and cash equivalents	67,146	69,701	58,543	59,769
Fixed deposits	51,606	53,399	47,936	47,567
Pledged fixed deposits	329	324	–	–
Short term investments	17,304	14,970	–	–
Trade receivables	21,218	21,010	8,972	8,663
Other receivables	1,941	2,014	665	765
Prepayments	2,051	1,720	983	739
Inventories	1,126	1,057	416	429
Amounts owing by subsidiaries	–	–	14,061	14,022
	162,721	164,195	131,576	131,954
Current liabilities				
Trade and other payables	14,415	13,521	6,738	5,722
Insurance contract liabilities	992	1,056	–	–
Deferred revenue	14,554	15,502	2,565	2,565
Amounts owing to subsidiaries	–	–	15,237	15,052
Tax payable	950	592	–	–
Interest-bearing borrowings	2,126	2,124	2,126	2,124
	33,037	32,795	26,666	25,463
Net current assets	129,684	131,400	104,910	106,491

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 2016	**30 June 2016**	**30 September 2016**	**30 June 2016**
	$'000	$'000	$'000	$'000
Non-current liabilities				
Other payables	–	86	–	–
Deferred revenue	26,714	24,716	13,070	12,795
Deferred tax liabilities	4,070	4,073	105	105
Interest-bearing borrowings	7,526	8,742	7,526	8,742
Notes payable	67,557	67,403	67,557	67,403
	105,867	105,020	88,258	89,045
Net assets	132,061	132,755	137,085	138,212
Capital and reserves				
Share capital	96,672	96,672	96,672	96,672
Treasury shares	(9,828)	(9,828)	(9,828)	(9,828)
Accumulated profits	54,086	54,660	49,587	50,779
Other reserves	(10,937)	(10,815)	654	589
	129,993	130,689	137,085	138,212
Non-controlling interests	2,068	2,066	–	–
Total equity	132,061	132,755	137,085	138,212

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

	As at 30 September 2016 $'000	As at 30 June 2016 $'000
Amount repayable in one year or less, or on demand		
- Loan I – secured	279	277
- Loan III – secured	680	680
- Loan IV – secured	1,167	1,167
Amount repayable after one year		
- Loan I – secured	5,000	5,049
- Loan III – secured	1,360	1,360
- Loan IV – secured	1,166	2,333
- Notes payable	67,557	67,403
	77,209	78,269

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

a) First legal mortgage of the leasehold properties and investment properties (the "Properties") of Cordlife Group Limited (the "Company");

b) The assignment of the rights, title and interest with respect to the Properties; 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 III is a 5 year term loan with yearly principal repayments. It will be repaid in full in November 2018.

Loan IV is a 3 year term loan with yearly principal repayments. It will be repaid in full in July 2018.

On 29 October 2014, the Group issued S$120 million in aggregate principal amount of 4.9% fixed rate notes due 2017 (the "Notes") under its S$500 million Multicurrency Debt Issuance Programme.

On 16 December 2015, 6 January 2016 and 28 January 2016, the Group announced that it had repurchased S$51,750,000 in principal amount of the Notes (the "Repurchased Notes"). Following the settlement, the Repurchased Notes were cancelled on 6 April 2016, and the remaining outstanding aggregate principal amount of the Notes following the cancellation of the Repurchased Notes would be S$68,250,000.

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Company from time to time outstanding. The Notes are redeemable only upon maturity on 28 October 2017.

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	
	2016	**2015**
	$'000	$'000
Operating activities		
(Loss)/profit before income tax	(196)	7,957
Adjustments for:		
Depreciation	438	395
Amortisation	306	56
Interest income	(654)	(2,789)
Interest expense	1,071	1,792
Share-based compensation expense	65	27
Allowance for doubtful debts and bad debts written off, net	10	–
Share of results of associate	–	(60)
Unrealised share of other income from associate	–	(27)
Fair value changes on financial asset designated at fair value through profit or loss	–	(2,093)
Fair value changes on derivative	–	4,812
Unrealised exchange gain	(232)	(8,405)
Operating cash flows before movements in working capital	808	1,665
Increase in trade receivables	(940)	(4,375)
Decrease/(increase) in other receivables, deposits and prepayments	168	(1,559)
(Increase)/decrease in inventories	(69)	99
Increase in trade and other payables	87	924
Increase in deferred revenue	1,035	1,409
Cash generated from/(used in) operations	1,089	(1,837)
Interest received	328	101
Interest paid	(75)	(57)
Net cash generated from/(used in) operating activities	1,342	(1,793)
Investing activities		
Purchase of property, plant and equipment	(137)	(87)
Purchase of intangible assets	(64)	–
(Placement)/redemption of short term investments	(2,418)	11
Transfer to term deposits, net	(249)	–
Net cash used in from investing activities	(2,868)	(76)

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	
	2016	**2015**
	$'000	$'000
Financing activities		
Transfer to pledged fixed deposits	–	(4)
Repayment of interest-bearing borrowings	(1,214)	(74)
Net cash used in financing activities	(1,214)	(78)
Net decrease in cash and cash equivalents	(2,740)	(1,947)
Cash and cash equivalents at the beginning of the financial period	69,701	15,738
Effects of exchange rate changes on the balance of cash	185	(80)
Cash and cash equivalents at end of the financial period	67,146	13,711

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand and short term deposits with a maturity of three months or less.

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	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 2015	96,657	(9,901)	78,633	153	568	534	(2,184)	(2,054)	(460)	161,946
Profit for the financial period	–	–	7,256	–	–	–	–	–	340	7,596
Other comprehensive (loss)/profit for the financial period, net of tax										
- Foreign currency translation	–	–	–	–	–	–	–	(502)	10	(492)
- Share of other comprehensive loss of associate	–	–	–	–	–	–	–	(15)	–	(15)
Total comprehensive profit/(loss) for the financial period, net of tax	–	–	7,256	–	–	–	–	(517)	350	7,089
<u>Contributions by and distributions to owners</u>										
Grant of share awards to employees	–	–	–	27	–	–	–	–	–	27
Total contributions by and distributions to owners	–	–	–	27	–	–	–	–	–	27
Balance at 30 September 2015	96,657	(9,901)	85,889	180	568	534	(2,184)	(2,571)	(110)	169,062

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 2015	96,657	(9,901)	67,998	422	153	155,329
Profit for the financial period, representing total comprehensive profit for the financial period	–	–	11,271	–	–	11,271
Contributions by and distributions to owners						
Grant of share awards to employees	–	–	–	–	27	27
Total contributions by and distributions to owners	–	–	–	–	27	27
Balance at 30 September 2015	96,657	(9,901)	79,269	422	180	166,627

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 2016	96,672	(9,828)	54,660	167	568	534	(9,387)	(2,697)	2,066	132,755
Profit for the financial period	–	–	(574)	–	–	–	–	–	15	(559)
Other comprehensive profit/(loss) for the financial period, net of tax										
- Foreign currency translation	–	–	–	–	–	–	–	(187)	(13)	(200)
Total comprehensive (loss)/profit for the financial period, net of tax	–	–	(574)	–	–	–	–	(187)	2	(759)
<u>Contributions by and distributions to owners</u>										
Grant of share awards to employees	–	–	–	65	–	–	–	–	–	65
Total contributions by and distributions to owners	–	–	–	65	–	–	–	–	–	65
Balance at 30 September 2016	96,672	(9,828)	54,086	232	568	534	(9,387)	(2,884)	2,068	132,061

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 2016	96,672	(9,828)	50,779	422	167	138,212
Loss for the financial period, representing total comprehensive profit for the financial period	–	–	(1,192)	–	–	(1,192)
Contributions by and distributions to owners						
Grant of share awards to employees	–	–	–	–	65	65
Total contributions by and distributions to owners	–	–	–	–	65	65
Balance at 30 September 2016	96,672	(9,828)	49,587	422	232	137,085

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 September 2016 and 30 June 2016	259,358,354	96,672,253

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 2016 No. of shares	**30 June 2016 No. of shares**
Total number of issued shares	267,525,354	267,525,354
Less: Treasury shares	(8,167,000)	(8,167,000)
Total number of issued shares excluding treasury shares	259,358,354	259,358,354

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 have 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 Standards (FRS) and Interpretations of FRS (INT FRS) which became effective for the financial year beginning 1 July 2016.

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	**2016**	**2015**
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)	(574)	7,256
Weighted average number of shares in issue during the period ('000)	259,358	259,297
Basic (loss)/earnings per share based on weighted average number of ordinary shares (cents)	(0.22)	2.80
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)	(574)	7,256
Weighted average number of shares in issue during the period ('000)	259,358	259,614
Diluted (loss)/earnings per share based on weighted average number of ordinary shares (cents)	(0.22)	2.79

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 2016 (cents)	30 June 2016 (cents)	30 September 2016 (cents)	30 June 2016 (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	50.92	51.19	52.86	53.29

The number of shares in issue and used in calculating the net asset value per share as at 30 September 2016 and 30 June 2016 is 259,358,354.

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 1QFY2017 AGAINST 1QFY2016

Income Statement

Revenue

Revenue increased by 0.8% or S$0.1 million from 1QFY2016 to 1QFY2017 mainly due to contribution from Stemlife, which became a subsidiary of the Group in December 2015. In 1QFY2017, there was an increase in deliveries to 6,300 from 5,300 in 1QFY2016, which is also largely contributed by Stemlife. Stemlife's deliveries for 1QFY2017 included cord tissue banking, which is the banking of Wharton's jelly, as a lower value service offering to cater to the mass audience. There was no such offering in 1QFY2016.

The increase is offset by a decrease in revenue contribution from India due to increased discounts given to clients in order to remain competitive in the market.

Cost of sales

Cost of sales increased by 12.5% or S$571,000 in 1QFY2017 compared to 1QFY2016. The increase in cost of sales was in line with the increase in client deliveries from 1QFY2016 to 1QFY2017.

Gross profit and gross profit margin

Gross profit decreased by 4.6% or S$470,000 and gross profit margin decreased from 68.5% in 1QFY2016 to 64.8% in 1QFY2017.

The drop in gross profit margin was mainly due to the increase in cost of quality and compliance in laboratory practices in order to adhere to best practices and provide the highest quality of service to our clients.

It was also due to lower margin attributable to the newly consolidated subsidiary, Stemlife and the Group's new offering of cord tissue banking, which is a lower cost option with a lower margin, to cater to the mass audience.

Other operating income

Other operating income increased by approximately S$124,000 mainly due to a SPRING grant of approximately S$126,000 in 1QFY2017 for employee training and development. There was no such grant income in 1QFY2016.

Selling and marketing expenses

Selling and marketing expenses increased by 12.5% or S$541,000 in 1QFY2017 compared to 1QFY2016. The increase is due to selling and marketing expense of Stemlife, which became a subsidiary of the Group in December 2015, amounting to S$480,000.

Administrative expenses

Administrative expenses increased by 15.8% or S$637,000 in 1QFY2017 compared to 1QFY2016. The increase is due to administrative expense of Stemlife, which became a subsidiary of the Group in December 2015, amounting to S$598,000. There was also an increase in staff-related costs in order for the Group to maintain quality and sufficient support as the Group expands its operations and customer base.

Finance income

Finance income increased by S$0.6 million due to the increase in placement of fixed deposits with reputable banks and financial institutions in line with the Group's cash management policy. StemLife, which became a subsidiary of the Group in December 2015, accounted for S$203,000 of the increase in finance income.

Finance expense

Finance costs increased by 33.3% or S$19,000 mainly attributable to the increased interest rate charged on the Group's bank borrowings.

Profit before income tax from operations

As a result of the foregoing, our profit before income tax from operations for 1QFY2017 is lower than 1QFY2016 at S$0.8 million.

Share of results in associate

Our share of profit in associate was S$60,000 for 1QFY2016. There was no share of results of associate in 1QFY2017 as Stemlife was consolidated as a subsidiary in December 2015.

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

The Group recorded fair value gain on its investment in China Cord Blood Corporation ("CCBC") designated at fair value through profit or loss of S$2.1 million in 1QFY2016. The fair value changes are computed based on the changes in CCBC's last traded price as at 30 June 2015 of US$6.16 (approximately S$8.32 at US$1:S$1.3508) and 30 September 2015 of US$6.02 (approximately S$8.61 at US$1:S$1.4297) for 1QFY2016. The fair value changes were recognised directly in profit or loss.

The Group disposed of its financial asset designated at fair value through profit or loss on 30 October 2015. As a result, there is no such fair value changes in 1QFY2017.

Fair value changes on derivative

On 10 November 2014, the Company and Magnum Opus International Holding Limited ("Magnum") completed the acquisition of a 7% senior convertible note (the "CCBC Note") due 3 October 2017 issued by CCBC to Golden Meditech Holdings Limited in the principal amount of US$50 million (the "Convertible Note"). The Company and Magnum also entered into a facility agreement pursuant to which the Company will lend Magnum funds in an aggregate amount of US$46,500,000 (the "Magnum Loan").

As the Convertible Note provides the Company the option to convert the bond into shares in CCBC, the Company is required to separately compute the fair value changes on the conversion option component and recognise these changes in profit or loss. Fair value changes on the conversion option is mainly affected by the time to maturity of the bond, the share price of CCBC as at the reporting date compared to the date of acquisition and the value of the bond as a function of the cash inflow from the bond at the redemption date.

The Group recorded fair value loss on derivative for 1QFY2016 of approximately S$4.8 million.

The Group disposed of its Convertible Note on 13 November 2015. As a result, there is no such fair value changes on derivative in 1QFY2017.

Exchange differences

Due to strengthening of the US$ against the S$, unrealised foreign exchange gain of approximately S$7.9 million was recognised on the Magnum Loan and the Convertible Note for 1QFY2016. No such exchange differences was recognised for 1QFY2017.

Finance income

Finance income of approximately S$2.7 million was recognised for 1QFY2016 on the Magnum Loan and the Convertible Note. No such finance income was recognised for 1QFY2017.

Finance costs

Finance costs of approximately S$1.0 million was recognised on the Notes for 1QFY2017 (1QFY2016: S$1.7 million). The decrease was due to the repurchase of the Notes in FY2016.

Tax

In 1QFY2017, non-operational finance expense was not taxable. In 1QFY2016, the share of results of associate was reported net of tax. Fair value changes, exchange differences and non-operational finance income and costs were not taxable. Adjusting for these non-taxable items, the effective tax rate for 1QFY2017 was 45.4%, compared to an effective tax rate of 20.3% for 1QFY2016. The increase in effective tax rate in 1QFY2017 was due to under-provision of income tax in FY2016 of S$167,000.

Balance sheet

As at 30 September 2016, the Group maintained a strong balance sheet, with cash and cash equivalents, fixed deposits and short-term investments of S$138.0 million (30 June 2016: S$138.1 million). The decrease in cash and cash equivalents was mainly due to net cash used in investing activities of S$5.0 million, which comprised placement of short term investments of S$2.4 million and transfer to fixed deposits of S$2.4 million. The Company also made repayments on its interest-bearing borrowings of S$1.2 million.

This is offset by a net cash generated from operating activities of S$1.3 million comprising mainly operating cash flows before movements in working capital of S$0.8 million, net working capital outflow of S$281,000 and net interest received of S$253,000.

Net working capital outflow of approximately S$120,000 was due to the following:

- increase in trade receivables of approximately S$940,000;
- decrease in other receivables, deposits and prepayments of approximately S$168,000;
- increase in inventory of approximately S$69,000;
- increase in trade and other payables of approximately S$87,000 and
- increase in deferred revenue of approximately S$634,000.

Available-for-sale asset

On 1 February 2016, the Group announced that it had purchased approximately 4.2 million ordinary shares of CRC for S$4.2 million to strengthen the strategic alliance with CRC and to enhance valueadd of the Group’s clinical and quality assurance capacity. The ordinary shares are carried at cost less impairment, if any.

Property, plant and equipment

As at 30 September 2016, the Group recorded S$13.0 million on the balance sheet for property, plant and equipment (30 June 2016: S$13.3 million).

Investment properties

As at 30 September 2016, the Group recorded S$9.1 million on the balance sheet for investment properties (30 June 2016: S$9.2 million).

Intangible assets

Intangible assets comprise customer contracts acquired in business combinations and computer software.

Deferred tax asset

As at 30 September 2016, the Group recorded a deferred tax asset of S$220,000 (30 June 2016: $220,000) due to temporary differences.

Trade receivables, non-current

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 customers. Upon billing, the billed amount will be receivable under the same terms as the current trade receivables.

Other receivables, non-current

On 1 February 2016, the Group announced that it had also subscribed for a Class A Redeemable Convertible Note ("RCN") maturing 3 years from the issue date in the principal amount of S$4.2 million from CRC. The yielding interest is at a rate of three month SIBOR plus 7% per annum payable annually in arrears. The RCN is carried at cost less impairment, if any.

Trade receivables, current

As at 30 September 2016, the Group recorded a current trade receivables of S$21.2 million (30 June 2016: $21.0 million).

Other receivables, current

Other receivables include non-trade receivables and interest receivable on the RCN.

Prepayments

Prepayments increased from S$1.7 million as at 30 June 2016 to S$2.1 million as at 30 September 2016 due mainly to prepayments of insurance premiums for the Group.

Trade and other payables, current and non-current

As at 30 September 2016, the Group recorded a current trade and other payables of S$14.4 million (30 June 2016: $13.5 million) and non-current other payables of nil (30 June 2016: S$86,000).

Insurance contract liabilities

Insurance contract liabilities represent outstanding claim liability and liability for expected future claims to be incurred as a result of the Group entering into insurance arrangement with customers during the year.

Deferred revenue

Deferred revenue represents revenue received in advance for services to be rendered under cord blood and cord lining banking contracts.

Interest-bearing borrowings, current and non-current

Interest-bearing borrowings decreased by $1.2 million from S$10.9 million as at 30 June 2016 to S$9.7 million as at 30 September 2016 due to repayments made during the financial period.

Notes payable

The Notes are carried at amortised cost using the effective interest rate and are classified as "Notes Payable" on the balance sheet at S$67.6 million (30 June 2016: S$67.4 million).

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

The global stem cell banking market is expected to grow at a compound annual growth rate of 20.2% from 2016 to reach US$3.96 billion in 2021 on the back of increasing awareness regarding storage of cord blood and tissue stem cells, high growth potential of emerging economies, and increasing use of stem cells in the field of therapeutics.[1]Against this backdrop, the Group remains focused on its key strategies to reinforce its core competencies to unlock network value and expand through both scale and scope, whilst rationalising its business operations to drive both top and bottom line growth.

Focus on core competencies

The Group's value to its clients lies in being a trusted provider of consumer healthcare products and services, especially to the mother and child segment. In December 2015, the Singapore facility was accredited by FACT-Netcord, making it one of only six cord blood banks in the world with dual-accreditation from AABB and FACT-Netcord. The Group continues to strive for excellence in quality, professionalism and technical expertise, whilst enhancing other key areas of competency such as marketing, customer service and product innovation.

Unlocking network value and synergies

The Group remains committed to deepening its engagement with its existing network of stakeholders and partners – parents, doctors and other healthcare professionals and healthcare

[1] Information extracted from "Stem Cell Banking Market by Bank Type (Cord Blood, and Cord Tissue), Service (Collection & Transportation, Analysis, Processing, and Storage), Application (Cerebral Palsy, Leukemia, Thalassemia, Anemia, Autism, Diabetes), Region - Forecast to 2021", Marketsandmarkets, July 2016

institutions, to understand their needs and create greater awareness within members of this network of the possible potential of the new products and services that benefit them.

Rationalisation of business operations

The Group continues to drive cost and operational efficiencies by rationalising various business operations, whilst staying true to its mission to deliver the highest level of quality standards to its clients. Some of the initiatives are to explore cost effective marketing efforts which include the intensification of the use of digital and social media platforms and to rely on technology to reduce cost drivers.

Expansion through scale and scope

The Group continues to be on the lookout for the next break in other fast-growing markets to expand its geographical footprint. On 21 October 2016, the Group announced that it has made inroads into the Myanmar market and has signed a marketing agreement with Myanmar-based Bio Secure Company Limited ("Bio Secure") to offer cord blood, cord lining and cord tissue banking services as well as non-invasive metabolic newborn screening to local expectant families. The Company is the only Singapore company to provide these services in Myanmar.

On 10 November 2016, the Company also announced that it served a notice on the board of directors of Stemlife of its intention to make a voluntary take-over offer to acquire all the remaining ordinary shares of Stemlife not already owned by the Company, representing approximately 10.12% of the issued and paid-up capital of Stemlife.

In addition, the Group will continue to build on its product and service offerings with more diagnostics related services.

Barring any unforeseen circumstances and excluding non-core finance costs and any other one-off items, the Group expects its core business to remain profitable for FY2017.

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? Yes

Name of Dividend	Special interim
Dividend Type	Tax exempt (1-tier) dividend
Dividend Amount	S$0.130 per ordinary share
Tax Rate	Exempt (1-tier)

(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 of $100,000 or more for the financial period reported on.

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 2016 presented in this announcement, to be false or misleading in any material aspect.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

16. Disclosure on the use of IPO proceeds

The breakdown of the use of proceeds by the Group for working capital and general corporate purposes is as follows:

	Amount (S$ million)
Amount utilised as working capital and general corporate purposes:	
Salaries, central provident fund contributions and other short-term benefits	1.20
Trade purchases	1.10
Legal and professional fees	0.55
Advertising and marketing expenses	0.90
Administrative expenses	0.70
Business travel expenses	0.20
Income tax and GST	0.20
Establishment of S$500 million Multicurrency Debt Issuance Programme	0.03
Issue of S$120 million 4.9% Fixed Rate Notes due 2017	1.20
Magnum Loan	0.09
CGL Acquisition	0.23
Total	**6.40**

As at 30 September 2016, the Group has utilised approximately S$28.9 million of the IPO Proceeds 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%	16.6	55.9%
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%	1.2	4.0%
Working capital and general corporate purposes	4.7	15.8%	6.4	21.5%
Expenses incurred in connection with the IPO	3.4	11.5%	3.7	12.5%
	29.7	100.0%	28.9	97.3%

Note:

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

The Group made an announcement on 30 April 2013, on the Use of Proceeds from Initial Public Offering ("IPO") that the Company had substantially completed renovation of new headquarters and facility at Yishun, A'Posh Bizhub and the actual expenses incurred in connection with the renovation works were approximately S$1.0 million. The balance of approximately S$2.0 million from the S$3.0 million which was originally allocated for the renovation works was re-deployed for working capital and general corporate purposes.

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 and the announcement on Use of Proceeds from Initial Public Offering ("IPO") dated 30 April 2013.

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.

17. Disclosure on the use of placement proceeds

Capitalised terms used herein, unless otherwise defined, have the meanings as defined in the announcements on Private Placement Of An Aggregate Of Up To 26,838,000 New Ordinary Shares In The Capital Of The Company dated 2 October 2013, 11 October 2013 and 14 October 2013.

The Company issued 26,838,000 Placement Shares at issue price of S$1.25 by way of private placement (the "Private Placement") to raise aggregate gross proceeds of S$33,547,500 on 14 October 2013.

The Board of Directors (the "Board") of the Company wishes to announce that the Group have utilised approximately S$9.2 million out of the approximately S$33.5 million raised from the Private Placement.

The breakdown of the total use of proceeds by the Group for general working capital purposes is as follows:

	Amount (S$ million)
Amount utilised as working capital:	
Trade purchases	2.2
Legal and professional fees	0.1
Total	**2.3**

As at 30 September 2016, the Group has utilised approximately S$9.2 million of the Private Placement proceeds as follows:

Intended Use of Placement Proceeds	Estimated amount (S$ m)	Estimated percentage of gross proceeds raised from the Private Placement	Amount utilised (S$ m)	Percentage of gross proceeds raised from the Private Placement
Further, fund and support the Group's operations in connection with its enlarged geographical footprint developed after the Company's initial public offering, including funding of additional strategic investments, joint ventures, acquisitions and/or strategic alliances as and when opportunities materialise and are deemed appropriate by the Board	23.5	70.1%	6.3	18.8%
General working capital	8.6	25.7%	2.3	6.9%
Expenses incurred in connection with the Private Placement	1.4	4.2%	0.6	1.8%
	33.5	100.0%	9.2	27.5%

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

The Board is of the view that the above utilisation is in accordance with the intended use disclosed in the announcement dated 2 October 2013.

The Board is also pleased to announce that due to the Company's prudent management of financial resources and negotiations with vendors, there is a balance of approximately S$0.8 million from the approximately S$1.4 million which was originally allocated to pay for expenses incurred in connection with the Private Placement. The Board, after deliberation, deemed it in the best interest of the Company and its shareholders to re-deploy the said balance amount for general working capital purposes.

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

By Order of the Board

Dr Wong Chiang Yin
Executive Director and Chief Executive Officer
11 November 2016