cordlife **CORDLIFE GROUP LIMITED**

Second Quarter Unaudited Financial Statements for the Period Ended 30 June 2019

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 June		+/(-) Increase/ (Decrease)	Group 6 months ended 30 June		+/(-) Increase/ (Decrease)
	2019	**2018**		**2019**	**2018**	
	$'000	$'000 (restated)	%	$'000	$'000 (restated)	%
Revenue	16,531	17,009	(2.8)	33,148	34,379	(3.6)
Cost of sales	(5,722)	(5,685)	0.7	(11,156)	(11,528)	(3.2)
Gross profit	10,809	11,324	(4.5)	21,992	22,851	(3.8)
Other operating income	248	290	(14.5)	437	404	8.2
Selling and marketing expenses	(5,151)	(5,314)	(3.1)	(10,443)	(10,725)	(2.6)
Administrative expenses	(5,821)	(6,126)	(5.0)	(10,975)	(11,828)	(7.2)
Finance income	2,487	2,212	12.4	4,549	4,412	3.1
Finance costs	(2,023)	(2,044)	(1.0)	(3,586)	(3,680)	(2.6)
Profit before income tax from operations*	549	342	60.5	1,974	1,434	37.7
Fair value gain on investment properties	–	95	(100.0)	–	95	(100.0)
Profit before income tax	549	437	25.6	1,974	1,529	29.1
Income tax expense	(52)	(85)	(38.8)	(539)	(542)	(0.6)
Profit for the financial period	497	352	41.2	1,435	987	45.4
Other comprehensive income/(loss) for the financial period, net of tax:						
Items that may be reclassified subsequently to profit or loss						
Fair value gain arising from revaluation of available-for-sale financial asset	–	17	(100.0)	–	53	(100.0)
Foreign currency translation^	(323)	(586)	(44.9)	(296)	(19)	>100.0
Total comprehensive income/(loss) for the financial period	174	(217)	n.m.	1,139	1,021	11.6

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 June		+/(-) Increase/ (Decrease)	Group 6 months ended 30 June		+/(-) Increase/ (Decrease)
	2019	**2018**		**2019**	**2018**	
	$'000	$'000 (restated)	%	$'000	$'000 (restated)	%
Profit/(loss) for the financial period attributable to:						
Shareholders of the Company	501	378	32.5	1,441	1,035	39.2
Non-controlling interests	(4)	(26)	(84.6)	(6)	(48)	(87.5)
	497	352	41.2	1,435	987	45.4
Total comprehensive income/(loss) for the financial period attributable to:						
Shareholders of the Company	180	(183)	n.m.	1,140	1,075	6.0
Non-controlling interests	(6)	(34)	(82.4)	(1)	(54)	(98.1)
	174	(217)	n.m.	1,139	1,021	11.6

n.m. denotes not meaningful

*In order to provide more clarity to readers, the Group has presented separately its fair value gain on investment properties from its profit before income tax from operations.

^Foreign currency translation classified as other comprehensive income/(loss) and presented in the foreign currency translation reserve in equity, represents the exchange differences arising from:

- translation of assets and liabilities of foreign operations to Singapore dollars at exchange rates at the reporting date; and
- translation of income and expenses of foreign operations to Singapore dollars at exchange rates at the dates of the transactions.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2019	**2018**		**2019**	**2018**	
	$'000	$'000 (restated)		$'000	$'000 (restated)	
Depreciation of property, plant and equipment	378	426		750	877	[1]
Amortisation of intangibles	337	254	[2]	592	506	[2]
Impairment loss on trade receivables and bad debts written off, net	304	263		318	432	[3]
Foreign exchange loss/(gain)	64	415	[4]	(176)	273	[4]
Other operating income	(248)	(290)		(437)	(404)	
Finance income comprises:						
- Finance income on contract assets	(2,118)	(1,972)		(3,705)	(3,750)	
- Interest income from deposits, short-term investments and note receivable	(369)	(240)		(844)	(662)	
Finance costs comprises:						
- Finance cost on contract liabilities	1,987	2,000		3,516	3,561	
- Finance cost on interest-bearing borrowings	36	44		70	119	

Notes

1. The depreciation expense was lower in the six months ended 30 June 2019 ("HY2019") compared to the six months ended 30 June 2018 ("HY2018"), mainly due to certain property, plant and equipment reaching the end of their depreciation lives in Hong Kong by December 2018.

2. The increase in amortisation of intangibles in HY2019 and the three months ended 30 June 2019 ("2Q2019") as compared to HY2018 and the three months ended 30 June 2018 ("2Q2018") was mainly due to the amortisation of fair value adjustments and intangible assets identified during the purchase price allocation exercise of Healthbaby Biotech (Hong Kong) Co., Limited ("Healthbaby") which began from July 2018. No such expenses were incurred for HY2018 and 2Q2018.

3. The decrease in impairment loss on trade receivables and bad debts written off in HY2019 as compared to HY2018 was mainly due to the decrease in doubtful debts provided for Singapore and Hong Kong as a result of increased collection efforts.

4. The foreign exchange gain in HY2019 was attributable to revaluation of the loan from Healthbaby to Cordlife Group Limited. On 3 January 2018, the Group announced the acquisition of Healthbaby, with part of the consideration being an assumption of a HK$ denominated debt owed by the seller Stemgen Biotech Holding Limited ("Stemgen") to Healthbaby (the "HK$ debt"). The Group recognised foreign exchange gain of S$159,000 from the revaluation of the loan as HK$ depreciated against S$ from January 2019 to June 2019 (HY2018: foreign exchange loss of S$333,000 as HK$ appreciated against S$ from January 2018 to June 2018).

   In 2Q2019, a foreign exchange loss of S$74,000 was recognised as a result of the revaluation of the aforesaid loan as HK$ appreciated against S$ from April 2019 to June 2019. A higher foreign exchange loss was recognised in 2Q2018 due to more significant appreciation of HK$ against S$ for the period between April 2018 to June 2018 against the period between April 2019 to June 2019.

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 June 2019 $'000	**31 December 2018** $'000 (restated)	**30 June 2019** $'000	**31 December 2018** $'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	12,705	12,718	5,928	6,136
Investment properties	8,679	8,717	2,975	2,975
Intangible assets	33,689	34,258	950	1,049
Deferred tax assets	303	146	–	–
Investment in subsidiaries	–	–	83,710	83,710
Long-term investments	4,200	6,178	4,200	4,200
Contract assets	70,190	67,824	51,860	51,636
Other receivables	5	53	5	7
	129,771	129,894	149,628	149,713
Current assets				
Inventories	1,276	1,358	137	294
Prepayments	2,495	2,700	784	813
Trade receivables	24,574	25,649	8,930	8,558
Other receivables	7,252	6,598	5,041	4,835
Tax recoverable	2,101	1,975	–	–
Amount owing by subsidiaries	–	–	17,828	16,936
Short-term investments	15,086	29,005	–	–
Fixed deposits	10,261	3,355	–	–
Pledged fixed deposits	6	6	–	–
Cash and cash equivalents	21,805	10,910	4,113	5,181
	84,856	81,556	36,833	36,617
Current liabilities				
Trade and other payables	16,060	15,056	3,876	3,550
Amounts owing to subsidiaries	–	–	8,421	7,632
Interest-bearing borrowings	298	295	298	295
Contract liabilities	19,115	15,974	3,318	3,769
Tax payable	2,010	2,660	578	685
	37,483	33,985	16,491	15,931
Net current assets	47,373	47,571	20,342	20,686

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 June 2019 $'000	**31 December 2018** $'000 (restated)	**30 June 2019** $'000	**31 December 2018** $'000 (restated)
Non-current liabilities				
Other payables	204	294	–	–
Amount owing to subsidiaries	–	–	35,155	35,565
Interest-bearing borrowings	4,154	4,310	4,154	4,310
Contract liabilities	47,702	47,935	16,138	14,726
Deferred tax liabilities	6,815	7,068	15	15
	58,875	59,607	55,462	54,616
Net assets	118,269	117,858	114,508	115,783
Capital and reserves				
Share capital	96,160	96,379	96,160	96,379
Treasury shares	(15,057)	(15,469)	(15,057)	(15,469)
Accumulated profits	50,800	50,366	32,390	33,950
Other reserves	(13,765)	(13,550)	1,015	923
	118,138	117,726	114,508	115,783
Non-controlling interests	131	132	–	–
Total equity	118,269	117,858	114,508	115,783

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

	As at	
	30 June 2019 $'000	**31 December 2018** $'000
Amount repayable in one year or less, or on demand		
- Loan I – secured	298	295
Amount repayable after one year		
- Loan I – secured	4,154	4,310
	4,452	4,605

Loan I is secured by:

a) First legal mortgage of the leasehold properties and investment properties (the "Properties") of 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.

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 June		Group 6 months ended 30 June	
	2019	**2018**	**2019**	**2018**
	$'000	$'000 (restated)	$'000	$'000 (restated)
Cash flows from operating activities:				
Profit before income tax	549	437	1,974	1,529
Adjustments for:				
Depreciation of property, plant and equipment	378	426	750	877
Amortisation of intangible assets	337	254	592	506
(Gain)/loss on disposal of property, plant and equipment	(1)	(1)	16	(2)
Impairment loss on trade receivables and bad debts written off, net	304	263	318	432
Finance income	(2,487)	(2,212)	(4,549)	(4,412)
Finance expense	2,023	2,044	3,586	3,680
Investment income	(123)	(151)	(223)	(151)
Share-based compensation expense	48	175	285	396
Fair value gain on investment properties	–	(95)	–	(95)
Unrealised exchange loss/(gain)	459	(402)	(4)	137
Operating cash flows before changes in working capital	1,487	737	2,745	2,897
Changes in working capital				
Decrease/(increase) in trade receivables	95	(905)	793	(1,261)
Decrease in contract assets	921	1,767	1,333	2,589
(Increase)/decrease in other receivables, deposits and prepayments	(248)	(57)	(570)	856
(Increase)/decrease in inventories	(20)	202	82	255
Increase in trade and other payables	739	965	920	1,030
(Decrease)/increase in contract liabilities	(386)	224	(28)	(584)
Cash generated from operations	2,588	2,933	5,275	5,782
Interest received	168	124	626	827
Interest paid	(36)	(44)	(70)	(119)
Income tax paid	(1,316)	(341)	(1,712)	(744)
Net cash flows generated from operating activities	1,404	2,672	4,119	5,746
Cash flows from investing activities:				
Purchase of property, plant and equipment	(452)	(917)	(761)	(1,164)
Purchase of intangible assets	(89)	(205)	(260)	(484)
Proceeds from disposal of fixed assets	1	–	1	–
Acquisition of subsidiary, net of cash	–	–	–	(8,813)
Redemption of short-term investments	12,925	1,265	15,842	743
Transfer to term deposits	(2,927)	(1,556)	(6,889)	(1,868)
Net cash flows generated from/(used in) investing activities	9,458	(1,413)	7,933	(11,586)

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 June		Group 6 months ended 30 June	
	2019	**2018**	**2019**	**2018**
	$'000	$'000 (restated)	$'000	$'000 (restated)
Cash flows from financing activities:				
Transfer to pledged fixed deposits	–	(2)	–	(2)
Dividends paid	(1,013)	–	(1,013)	–
Repayment of interest-bearing borrowings	(75)	(1,247)	(152)	(4,054)
Net cash flows used in financing activities	(1,088)	(1,249)	(1,165)	(4,056)
Net increase/(decrease) in cash and cash equivalents	9,774	10	10,887	(9,896)
Cash and cash equivalents at the beginning of the financial period	12,308	12,439	10,910	22,452
Effects of exchange rate changes on cash and cash equivalents	(277)	433	8	326
Cash and cash equivalents at end of the financial period	21,805	12,882	21,805	12,882

Cash and cash equivalents

Cash and cash equivalents comprise 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	Other Reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total $'000
At 1 January 2018	96,628	(16,104)	52,211	622	568	534	(11,740)	–	(3,221)	122	119,620
Effects of the adoption of SFRS(I) 15	–	–	(629)	–	–	–	–	–	59	(8)	(578)
At 1 January 2018, restated	96,628	(16,104)	51,582	622	568	534	(11,740)	–	(3,162)	114	119,042
Profit/(loss) for the financial period	–	–	1,035	–	–	–	–	–	–	(48)	987
Other comprehensive (loss)/income for the financial period, net of tax											
- Foreign currency translation	–	–	–	–	–	–	–	–	(13)	(6)	(19)
- Fair value gain arising from revaluation of available-for-sale financial asset	–	–	–	–	–	–	–	53	–	–	53
Total comprehensive income/(loss) for the financial period, net of tax	–	–	1,035	–	–	–	–	53	(13)	(54)	1,021
Contributions by and distributions to owners											
Grant of share awards to employees	–	–	–	396	–	–	–	–	–	–	396
Total contributions by and distributions to owners	–	–	–	396	–	–	–	–	–	–	396
At 30 June 2018	96,628	(16,104)	52,617	1,018	568	534	(11,740)	53	(3,175)	60	120,459

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
At 1 January 2018	96,628	(16,104)	42,448	422	622	124,016
Effects of the adoption of SFRS(I) 15	–	–	3,546	–	–	3,546
At 1 January 2018, restated	96,628	(16,104)	45,994	422	622	127,562
Loss for the financial period, representing total comprehensive loss for the financial period	–	–	(1,992)	–	–	(1,992)
Contributions by and distributions to owners						
Grant of share awards to employees	–	–	–	–	396	396
Total contributions by and distributions to owners	–	–	–	–	396	396
At 30 June 2018	96,628	(16,104)	44,002	422	1,018	125,966

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	Other reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total $'000
At 1 January 2019	96,379	(15,469)	54,338	501	568	534	(11,740)	6	(3,919)	138	121,336
Effects of the adoption of SFRS(I) 15	–	–	(3,972)	–	–	–	–	–	500	(6)	(3,478)
Effect of initial application of SFRS(I) 9, net of tax	–	–	6	–	–	–	–	(6)	–	–	–
At 1 January 2019, restated	96,379	(15,469)	50,372	501	568	534	(11,740)	–	(3,419)	132	117,858
Profit/(loss) for the financial period	–	–	1,441	–	–	–	–	–	–	(6)	1,435
Other comprehensive (loss)/income for the financial period, net of tax											
- Foreign currency translation	–	–	–	–	–	–	–	–	(301)	5	(296)
Total comprehensive income/(loss) for the financial period, net of tax	–	–	1,441	–	–	–	–	–	(301)	(1)	1,139
Contributions by and distributions to owners											
Grant of share awards to employees	–	–	–	285	–	–	–	–	–	–	285
Reissuance of treasury shares pursuant to equity compensation plan	(219)	412	–	(193)	–	–	–	–	–	–	–
Dividends	–	–	(1,013)	–	–	–	–	–	–	–	(1,013)
Total contributions by and distributions to owners	(219)	412	(1,013)	92	–	–	–	–	–	–	(728)
At 30 June 2019	96,160	(15,057)	50,800	593	568	534	(11,740)	–	(3,720)	131	118,269

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
At 1 January 2019	96,379	(15,469)	30,608	422	501	112,441
Effects of adoption of SFRS(I) 15	–	–	3,342	–	–	3,342
At 1 January 2019, restated	96,379	(15,469)	33,950	422	501	115,783
Loss for the financial period, representing total comprehensive loss for the financial period	–	–	(547)	–	–	(547)
Contributions by and distributions to owners						
Grant of share awards to employees	–	–	–	–	285	285
Reissuance of treasury shares pursuant to equity compensation plan	(219)	412	–	–	(193)	–
Dividends	–	–	(1,013)	–	–	(1,013)
Total contributions by and distributions to owners	(219)	412	(1,013)	–	92	(728)
At 30 June 2019	96,160	(15,057)	32,390	422	593	114,508

1(d)(ii) Details of any changes in the company's share capital arising from rights 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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 31 December 2018	253,301,624	96,378,610
Treasury shares reissued pursuant to equity compensation plans	378,405	(218,740)
As at 30 June 2019	253,680,029	96,159,870

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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

	As at	
	30 June 2019	**31 December 2018**
	No. of shares	**No. of shares**
Total number of issued shares	267,525,354	267,525,354
Less: Treasury shares	(13,845,325)	(14,223,730)
Total number of issued shares excluding treasury shares	253,680,029	253,301,624
Percentage of treasury shares against total number of shares outstanding	5.2%	5.3%

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

On 3 June 2019, 378,405 treasury shares were reissued pursuant to the Cordlife Share Grant Plan.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable.

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

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 Company's most recently audited annual 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 January 2019.

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 the reporting periods in prior years except for the adoption of *SFRS(I) 15 Revenue from Contracts with Customers* ("SFRS(I)15").

SFRS(I) 15 provides a five-step model for revenue recognition arising from contracts with customers which requires revenue to be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

Under SFRS(I) 15, the Group has identified deliverables in contracts with customers (including variable considerations and material rights) that qualify as performance obligations. The Group has concluded that there are no observable prices for the various performance obligations identified in the contracts with the customers, hence the Group has adopted the expected cost plus margin approach for the estimation of stand-alone selling prices. Under the previous accounting treatment, the Group recognised financing interest income, which was classified as revenue, arising from customers who signed up for the deferred payment plans. No finance expense was recognised. Under SFRS(I) 15, other than the recognition of finance interest income, the Group has also recognised finance expense in relation to advance payment received from the customers who signed up under upfront payment plans. The Group has presented the effect of financing separate from revenue from contracts with customers and cost of sales in the statement of comprehensive income as the ordinary business activities of the Group do not include significant lending operations.

SFRS(I) 15 also requires reclassification of some items previously presented as trade receivables, non-current and deferred revenue as contract assets and contract liabilities respectively. Contract liabilities are netted off against contract assets on a contract-by-contract basis.

.

This new standard has superseded all previous revenue recognition requirements under Singapore Financial Reporting Standards ("FRS"). A full retrospective application has been applied in alignment with SFRS(I) 1. The effects of the transition to SFRS(I) are as follows:

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 (cont'd)

	Period ended 30 June 2018		
Group	**As previously reported** $'000	**SFRS(I) 15 Adjustments*** $'000	**As restated** $'000
Profit before income tax			
Revenue	35,330	(951)	34,379
Finance income	662	3,750	4,412
Finance expense	(119)	(3,561)	(3,680)
Profit for the financial period			
Income tax expense	(444)	(98)	(542)
Profit for the financial period	1,846	(859)	987
Other comprehensive income			
Foreign currency translation	(424)	(443)	19
Profit for the financial period attributable to:			
Shareholders of the Company	1,887	(852)	1,035
Non-controlling interest	(41)	(7)	(48)
Total comprehensive income for the financial period attributable to:			
Shareholders of the Company	1,523	448	1,075
Non-controlling interest	(48)	6	(54)
Statement of cash flows			
Profit before income tax	2,290	(761)	1,529
Operating cash flows before changes in working capital	3,464	(569)	2,895
Changes in working capital, net	2,571	314	2,885

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 (cont'd)

	As at 31 December 2018			**As at 1 January 2019**		**As at 31 December 2018**		
	As previously reported $'000	**SFRS(I) 15 Adjustments*** $'000	**As restated** $'000	**SFRS(I) 9 Adjustments**	**Adjusted**	**As previously reported** $'000	**SFRS(I) 15 Adjustments*** $'000	**As restated** $'000
Statement of financial position								
Non-current assets								
Contract assets	–	67,824	67,824	–	67,824	–	51,636	51,636
Trade receivables	67,536	(67,536)	–	–	–	46,525	(46,525)	–
Current assets								
Trade receivables	28,966	(3,317)	25,649	–	25,649	10,887	(2,329)	8,558
Current liabilities								
Contract liabilities	–	15,974	15,974	–	15,974	–	3,769	3,769
Deferred revenue	17,936	(17,936)	–	–	–	3,769	(3,769)	–
Tax payable	1,982	678	2,660	–	2,660	–	685	685
Non-current liabilities								
Contract liabilities	–	47,935	47,935	–	47,935	–	14,726	14,726
Deferred revenue	46,202	(46,202)	–	–	–	15,971	(15,971)	–
Capital and reserves								
Accumulated profits	54,338	(3,972)	50,366	6	50,372	30,608	3,342	33,950
Other reserves	(14,050)	500	(13,550)	(6)	(13,556)	923	–	923
Non-controlling interests	138	(6)	132	–	132	–	–	–

* The Group is currently still finalising the computations of the final transition adjustments. Therefore, the SFRS(I)15 adjustments presented might be subject to change in subsequent quarters.

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		Group	
	3 months ended 30 June 2019	3 months ended 30 June 2018 (Restated)	6 months ended 30 June 2019	6 months ended 30 June 2018 (Restated)
Basic Earnings Per Share				
Earnings per ordinary share of the group for the financial period based on net profit attributable to shareholders of the Company:				
Profit attributable to shareholders of the Company (S$ '000)	501	378	1,441	1,035
Weighted average number of shares in issue during the period ('000)	253,418	252,719	253,360	252,719
Basic earnings per share based on weighted average number of ordinary shares (cents)	0.20	0.15	0.57	0.41
Diluted Earnings Per Share				
Earnings per ordinary share of the group for the financial period based on net profit attributable to shareholders of the Company:				
Profit attributable to shareholders of the Company (S$ '000)	501	378	1,441	1,035
Weighted average number of shares in issue during the period ('000)	254,691	254,828	254,781	254,910
Diluted earnings per share based on weighted average number of ordinary shares (cents)	0.20	0.15	0.57	0.41

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 June 2019 (cents)	**31 December 2018 (cents)** (restated)	**30 June 2019 (cents)**	**31 December 2018 (cents)** (restated)
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the relevant period	46.62	46.53	45.14	45.71

The number of shares in issue and used in calculating the net asset value per share as at 30 June 2019 is 253,680,029 (31 December 2018 : 253,301,624).

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 6 MONTHS ENDED 30 JUNE 2019 ("HY2019") AGAINST 6 MONTHS ENDED 30 JUNE 2018 ("HY2018")

Income Statement

Revenue

Revenue decreased by 3.6% or S$1.2 million from S$34.4 million in HY2018 to S$33.1 million in HY2019 while total client deliveries increased from 12,600 in HY2018 to 12,900 in HY2019.

Deliveries were lower in Singapore, Hong Kong and Malaysia, but this was offset by higher deliveries in India for HY2019 compared to HY2018. In India, despite the increase in deliveries, revenue contribution decreased due to higher take-up of lower-priced manual-processing plans and cord tissue plans in HY2019 instead of higher-priced cord lining plans for HY2018. The drop in deliveries in Hong Kong also contributed to the decrease in revenue.

However, revenue contribution from Singapore increased despite the drop in deliveries due to an increase in average selling prices of their contracts, as well as increased revenue contribution from pre-natal testing services.

Cost of sales

Cost of sales decreased by 3.2% or S$372,000 in HY2019 compared to HY2018, mainly due to the decrease in deliveries in Singapore, Hong Kong and Malaysia.

Cost of sales was also lower in HY2019 compared to HY2018 due to lower processing fees incurred for the lower-priced manual processing and cord tissue contracts in India.

Gross profit and gross profit margin

Gross profit decreased by 3.8% or S$0.9 million whilst gross profit margin remained steady at 66.3% in HY2019 compared to 66.5% in HY2018.

Other operating income

Other operating income increased by 8.2% or S$33,000, mainly due to increase in grant income from Spring Singapore for the Group's participation in a joint Executive Development Scholarship program with Spring Singapore. There was no such grant income in HY2018.

Administrative expenses

Administrative expenses decreased by 7.2% or S$0.9 million in HY2019 compared to HY2018. The decrease is mainly due to a foreign exchange gain of S$176,000 compared to a foreign exchange loss of S$272,000 in HY2018. The Group recognised foreign exchange gain of S$159,000 from the revaluation of the HK$ debt owing by Cordlife Group Limited to Healthbaby as HK$ depreciated against S$ from January 2019 to June 2019 (HY2018: foreign exchange loss of S$333,000 as HK$ appreciated against S$ from January 2018 to June 2018).

As a result from the increased and more effective collection efforts in Singapore and Hong Kong, impairment loss on trade receivables and bad debts written off in HY2019 decreased by S$113,000 compared to HY2018. In addition, staff cost also dropped by approximately S$0.5 million from HY2018 to HY2019 as a result of increased efficiency enabled by technology and automation.

Finance income

Finance income comprises finance income on contract assets of S$3.7 million (HY2018: S$3.8 million) and interest income from deposits, short-term investments and note receivable of S$0.8 million (1Q2018: S$0.7 million). Finance income increased by S$136,000 partly due increase in interest income from short-term investments and fixed deposits.

Finance costs

Finance costs comprises finance cost on contract liabilities of S$3.5 million (HY2018: S$3.6 million) and finance cost on interest-bearing borrowings of S$70,000 (HY2018: S$119,000). Finance cost decreased by 2.6% or S$94,000 from HY2018 to HY2019 mainly due to interest expense relating to advance payments received from customers who signed up under upfront payment plans.

Profit before income tax

As a result of the foregoing, the profit before income tax of S$2.0 million for HY2019 was 37.7% higher than for HY2018.

Tax

In HY2018, non-operational fair value gain on investment properties was not taxable. Adjusting for the non-operational fair value gain, the effective tax rate of 27.3% in HY2019 was comparable to 37.8% in HY2018. The lower tax rate in HY2019 was mainly due to deferred tax assets not recognised on tax losses in HY2018.

COMPARING 3 MONTHS ENDED 30 JUNE 2019 ("2Q2019") AGAINST 3 MONTHS ENDED 30 JUNE 2018 ("2Q2018")

Income Statement

Revenue

Revenue decreased by 2.8% or S$0.5 million from S$17.0 million in 2Q2018 to S$16.5 million in 2Q2019 while total client deliveries increased from 6,200 in 2Q2018 to 6,500 in 2Q2019.

The increase in deliveries were contributed mainly by India and Singapore. In India, despite the increase in deliveries, revenue contribution decreased due to higher take-up of lower-priced manual-processing plans and cord tissue plans in 2Q2019 instead of higher-priced cord lining plans for 2Q2018. This is offset by higher revenue contribution from Singapore as a result of the increase in deliveries as well as increase in average selling prices of their plans. In addition, there was an increase in revenue from pre-natal testing services in 2Q2019 compared to 2Q2018.

Cost of sales

Cost of sales remained steady at S$5.7 million in 2Q2019 and 2Q1018, in line with deliveries.

Gross profit and gross profit margin

Gross profit decreased by 4.5% or S$0.5 million whilst gross profit margin dipped slightly at 65.4% in 2Q2019 compared to 66.6% in 2Q2018.

Other operating income

Other operating income decreased by 14.5% or S$42,000, mainly due to decrease in investment income from short-term investments.

Administrative expenses

Administrative expenses decreased by 5.0% or S$0.3 million in 2Q2019 compared to 2Q2018. The decrease is mainly due to a reduction in foreign exchange loss by S$350,000 in 2Q2019 compared to 2Q2018. In 2Q2019, foreign exchange loss of S$74,000 was recognised for the revaluation of the HK$ debt owing by Cordlife Group Limited to Healthbaby, as a result of the appreciation of the HK$ against the S$ from April 2019 to June 2019. Foreign exchange loss recognised in 2Q2018 was higher due to a more significant appreciation of the HK$ against S$ for the period of April 2018 to June 2018.

Finance income

Finance income comprises finance income on contract assets of S$2.1 million (2Q2018: S$2.0 million) and interest income from deposits, short-term investments and note receivable of S$0.4 million (2Q2018: S$0.2 million). Finance income increased by S$274,000 partly due increase in interest income from short-term investments and fixed deposits.

Finance costs

Finance costs comprises finance cost on contract liabilities of S$2.0 million (2Q2018: S$2.0 million) and finance cost on interest-bearing borrowings of S$36,000 (2Q2018: S$44,000). Finance cost decreased by 1.0% or S$21,000 from 2Q2018 to 2Q2019 mainly due to interest expense relating to advance payments received from customers who signed up under upfront payment plans.

Profit before income tax

As a result of the foregoing, the profit before income tax of S$549,000 for 2Q2019 was 60.5% higher than 2Q2018.

Tax

In 2Q2018, non-operational fair value gain on investment properties was not taxable. In 2Q2019, adjustment on over-provision of tax in 1Q2019 of approximately S$82,000 was recorded. Adjusting for the foregoing, the effective tax rate for 2Q2019 was comparable to 2Q2018 at 24.4% and 24.9% respectively.

Balance sheet

Cash and cash equivalents, fixed deposits and short-term investments

As at 30 June 2019, the Group maintained a strong balance sheet, with cash and cash equivalents, fixed deposits and short-term investments of S$47.2 million (31 December 2018: S$43.3 million). Short-term investments mainly comprise investments in money market funds. The increase in the total cash and cash equivalents, fixed deposits and short-term investments was mainly due to net cash generated from operating activities of S$4.1 million, offset by cash flows used in financing activities, mainly relating to the payment of dividends of S$1.0 million.

Net cash generated from operating activities comprised mainly operating cash flows before movements in working capital of S$2.7 million, net interest received of S$0.6 million, net working capital inflow of S$2.5 million offset by income tax paid of S$1.7 million.

Net working capital inflow of approximately S$2.5 million comprised the following:

- decrease in trade receivables of approximately S$0.8 million;
- decrease in contract assets of approximately S$1.3 million
- increase in other receivables, deposits and prepayments of approximately S$0.6 million;
- decrease in inventory of approximately S$0.1 million;
- increase in trade and other payables of approximately S$0.9 million and
- decrease in contract liabilities of approximately S$28,000.

Property, plant and equipment

As at 30 June 2019, the Group recorded S$12.7 million on its balance sheet for property, plant and equipment (31 December 2018: S$12.7 million).

Investment properties

As at 30 June 2019, the Group recorded S$8.7 million on its balance sheet for investment properties (31 December 2018: S$8.7 million).

Intangible assets

Intangible assets comprise client contracts, brand and goodwill acquired in business combinations and computer software.

Deferred tax assets

As at 30 June 2019, the Group recorded deferred tax assets of S$303,000 compared to S$146,000 as at 30 June 2018. The increase in deferred tax assets was due to recognition of deferred tax assets on tax losses in India during the year.

Long-term investments

Long-term investments mainly comprise a S$4.2 million investment in approximately 4.2 million unquoted ordinary shares of CellResearch Corporation Pte. Ltd. ("CRC"). The investment in CRC aims to strengthen the strategic alliance with CRC and to add value to the Group's clinical and quality assurance capacity. The ordinary shares are carried at cost less impairment, if any.

The decrease in long-term investments of S$2.0 million from 31 December 2018 to 30 June 2019 was mainly due to a reclassification of investments in money-market funds to short-term investments.

Contract assets, non-current

Due to the adoption of SFRS(I) 15, trade receivables, non-current was being reclassified and presented as contract assets, non-current. Non-current contract assets represent all service revenues arising from the performance obligations identified under instalment payment plans in the cord blood, cord lining and cord tissue banking contracts that have yet to be billed to clients. Upon billing, the billed amount will be receivable under the same terms as the current trade receivables.

Inventories

As at 30 June 2019, the Group recorded inventories of S$1.3 million (31 December 2018: $1.4 million).

Prepayments

As at 30 June 2019, the Group recorded prepayment of S$2.5 million (31 December 2018: S$2.7 million).

Trade receivables, current

Current trade receivables as at 30 June 2019 was S$24.6 million compared to S$25.6 million as at 31 December 2018.

Other receivables, current

On 1 February 2016, the Group announced that it had subscribed for a Class A Redeemable Convertible Note ("RCN") maturing three 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. In June 2019, the Group signed a supplemental agreement to extend the RCN for another 2 years to 30 June 2021 on the same terms.

Other receivables include the RCN in the principal amount of S$4.2 million, non-trade receivables and interest receivable on the RCN.

Trade and other payables, current and non-current
As at 30 June 2019, the Group recorded current trade and other payables of S$16.1 million (31 December 2018: $15.1 million) and non-current other payables of S$204,000 (31 December 2018: S$294,000).

Interest-bearing borrowings, current and non-current

Interest-bearing borrowings decreased by approximately S$153,000, from S$4.6 million as at 31 December 2018 to S$4.5 million as at 30 June 2019, due to repayments made during the financial period.

Contract liabilities, current and non-current

Due to the adoption of SFRS(I) 15, deferred revenue was being reclassified and presented as contract liabilities. Contract liabilities represent revenue received in advance for services revenues to be rendered under the various performance obligations identified in the cord blood, cord lining and cord tissue banking contracts. Current contract liabilities increased from S$16.0 million as at 31 December 2018 to S$19.1 million as at 30 June 2019 due to increase in clients opting for upfront payment plans. Non-current contract liabilities was S$47.7 million as at 30 June 2019 compared to S$47.9 million as at 31 December 2018.

Income tax payable

As at 30 June 2019, the Group recorded income tax payable of S$2.0 million (31 December 2018: S$2.7 million). The decrease in income tax payable was mainly due to tax payment made during the financial period.

Deferred tax liabilities

As at 30 June 2019, deferred tax liabilities amounted to S$6.8 million (31 December 2018: S$7.1 million), comprising deferred tax liabilities on temporary differences and on intangible assets recognised on business combination.

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 was 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 potential for further growth in many of the markets the Group operates in remains positive amid increasing public awareness of the benefits of stem-cell banking. In countries such as India, the Philippines and Indonesia, for example, there is room to gain more market share as the middle class increasingly spends more on discretionary goods and services, including specialised healthcare. Several initiatives the Group put into practice over the past few quarters have also yielded encouraging results and will help underpin future growth. These include offering additional value-added services for cord blood testing and raising prices of stem-cell banking services in a number of markets. In addition, there has been increasing interest in nascent markets like Vietnam and Myanmar where the Group already has presence through its marketing agents. For Indonesia specifically, the Group recently strengthened its presence with the opening of the largest stem cell banking facility in the country. Boosting seven times more stem cell storage capacity than its previous facility, the new facility also comprises dedicated laboratory areas intended to serve growing demand for diagnostic and genetic testing.

Notwithstanding the maturity of the Singapore and Hong Kong markets, the Group expects profit margins in these markets to hold up because of their higher consumer purchasing power and its ongoing efforts to market its banking and diagnostics services. The Group also strives to increase penetration rates in Singapore and Hong Kong by bundling more value-added services in its offerings. In Hong Kong, efforts to generate greater synergy and economies of scale between its two brands – Cordlife Hong Kong and Healthbaby – are paying off. With the completion of the consolidation of Hong Kong's operations, the Group is poised to achieve higher growth as the market leader in Hong Kong.

During the year, the Group intends to continue to launch several new growth initiatives. Notably, the Group continues to seek growth in its diagnostics business through continuous engagement with its clients and their broader families over their lifetime. With an increasingly technologically-savvy population, the Group is also exploring digital healthcare to better service and empower clients, as well as reduce inefficiencies and costs in service delivery.

With its strong balance sheet and desire to expedite growth, the Group is actively reviewing opportunities to acquire or invest in suitable healthcare assets in Asia. Notably, on 4 June 2019, the Group announced an indicative, non-binding conditional proposal for the proposed merger with Global Cord Blood Corporation. Negotiations are still ongoing and further announcements will be made as and when appropriate and in accordance with the requirements of the SGX Listing Rules. As at 30 June 2019, the Group had S$47.2 million in cash and cash equivalents, fixed deposits and short-term investments in money market funds. Total debt as a percentage of equity was 3.8%.

Barring unforeseen developments and exceptional non-operating items, the Group expects to remain profitable for the current financial year ending 31 December 2019.

11. Dividends

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

Any interim (final) ordinary dividend declared (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) ***Books closure date***

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and provide the reasons for the decision not to declare/recommend any dividend.

The Directors do not declare or recommend dividends for 2Q2019. The Directors will review dividend payout in the following quarters after taking into consideration the Company’s performance as well as the expansion plans.

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 S$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 knowledge of the Board of Directors of the Company (the “Board”), nothing has come to the attention of the Board which may render the unaudited financial statements of the Company and the Group for the three months ended 30 June 2019 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 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 an issue price of S$1.25 per Placement Share by way of private placement (the “Private Placement”) to raise aggregate gross proceeds of S$33,547,500 on 14 October 2013.

As at 14 August 2019, the Group has utilised approximately S$24.3 million out of S$33.5 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%	16.5	49.3%
General working capital	8.6	25.7%	7.2	21.5%
Expenses incurred in connection with the Private Placement	1.4	4.2%	0.6	1.8%
	33.5	100.0%	24.3	72.6%

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

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	7.1
Legal and professional fees	0.1
Total	**7.2**

The Board is of the view that the above utilisation is in accordance with the intended use disclosed in the aforementioned 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 interests 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

Tan Poh Lan
Group Chief Executive Officer and Executive Director
14 August 2019