

CORDLIFE GROUP LIMITED

(Company Registration No.: 200102883E)
(Incorporated in the Republic of Singapore)

**DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDITED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2023**

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the board of directors of Cordlife Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditors, KPMG LLP, have issued a disclaimer of opinion (the "**Disclaimer of Opinion**") in their independent auditor's report dated 24 April 2024 (the "**Independent Auditor's Report**") in relation to the consolidated financial statements of the Group for the financial year ended 31 December 2023 ("**FY2023**") (the "**Audited Financial Statements**"). The basis of the Disclaimer of Opinion is contained in the Independent Auditor's Report.

A copy of the Independent Auditor's Report and an extract of Note 2.1 and 36 to the Audited Financial Statements are appended to this announcement. Shareholders of the Company are advised to read the Independent Auditor's Report and the Audited Financial Statements that will form part of the annual report of the Company for FY2023 (which will be released separately on SGXNET in due course) in their entirety.

For and on behalf of the Board
CORDLIFE GROUP LIMITED

Ivan Yiu Pang Fai
Group CEO

25 April 2024



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Independent auditors' report

Members of the Company

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Cordlife Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages FS1 to FS81.

We do not express an opinion on the accompanying consolidated financial statements. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion in respect of the following areas:

1 Compliance with laws and regulations

Ministry of Health ("MOH") investigation

We refer to Note 2.1 which details the potential areas of non-compliance by the Company with the Healthcare Services (General) Regulations and the Healthcare Services (Cord Blood Banking Service) Regulations arising from process lapses observed during MOH's inspections.

Commercial Affairs Department ("CAD") investigation

We refer to Note 36, the Company was informed by several of its directors, a former director and the Chief Financial Officer that they were arrested in connection with the CAD's investigations into an offence under the Securities and Futures Act 2001 of Singapore.

As the MOH and CAD investigations remain ongoing, we are unable to obtain sufficient appropriate audit evidence to ascertain the significance of any adjustments on the Group's financial statements that may arise from these enforcement actions, if any, following the conclusion of the investigations by MOH and CAD.

2 Refunds and claims

We refer to Note 2.1 where the Company has announced in respect of Tank A, it will waive all future annual fees for the storage of the cord blood from 2022 until the child reaches 21, and in cases where clients have made prepayments for the storage fees covering the same period, the Company will initiate a refund. On 8 April 2024, the Company made further announcement in respect of the High Risk Tanks and the ongoing investigation of the Low Risk Tanks. We have not been able to obtain sufficient appropriate audit evidence over the number of affected customers with confirmed damaged cord blood arising from the temperature excursions as at 31 December 2023, therefore the quantification and significance of any adjustments to be recorded in the Group's financial statements from any refunds and/or claims, both constructive and contingent as at 31 December 2023.

3 Going concern basis of preparation

We refer to Note 2.1 where management has set out the key inputs and assumptions used in applying the going concern basis of preparation. As of the date of our audit report, the business operations in Singapore remain suspended, the investigations by MOH and CAD are all ongoing, the outcome of which are still unknown. There are no alternative audit procedures that can be performed. We are therefore unable to obtain sufficient appropriate audit evidence over certain key inputs and assumptions used in applying the going concern basis of preparation. In particular, these key inputs and assumptions include, management's estimates of the timing of the lifting of the MOH suspension, the timing and amount of revenue to be collected over the relevant periods, the timing and amount of the financial effects of refunds and claims by the affected customers following the conclusion of the investigation over the other tanks and the timing and amount of the financial effects arising from possible fine and penalties following the conclusion of the investigations by MOH and CAD.

The business operations in Singapore is a significant component of the Group operationally and its financial results are material to the overall Group. The unaudited total revenue of the business operations in Singapore for the 6-month period ended 30 June 2023, and total assets as at 30 June 2023 of the business operations in Singapore represented 45% and 41%, respectively, of the Group's results for that same period. In addition, the business operations in Singapore is the largest contributor to the Group's profit before tax. We are unable to obtain sufficient audit evidence over certain key inputs and assumptions used in applying the going concern basis of preparation, including the outcome of the matters highlighted in paragraphs 1 and 2. We are therefore unable to ascertain the extent of any adjustments that may arise from the conclusion of these matters on the continuity of the business operations in Singapore and the financial implication on the Group's financial statements, including the carrying amounts of the property, plant and equipment, intangible assets, contract assets and trade receivables of the business operations in Singapore amounting to \$68,000,000 as at 31 December 2023.

4 Financial support for subsidiaries

Certain subsidiaries of the Group require financial support from the Company. As mentioned in paragraph 3 above, we are unable to obtain sufficient audit evidence over certain key inputs and assumptions used in applying the going concern basis of preparation, we are therefore unable to ascertain if the Company has the ability to provide the continual financial support as required by the subsidiaries, and the consequent adjustments, if any, to the carrying amount of the Company's investments in these subsidiaries of \$23,700,000 and the Group's carrying amount of the non-financial assets relating to these entities of \$23,800,000 as at 31 December 2023.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.



Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for disclaimer of opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Shelley Chan Hoi Yi.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
24 April 2024

2 Basis of preparation

2.1 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due within the next twelve months.

On 30 November 2023, the Company received a notice from Ministry of Health ("MOH") directing the Company to stop, for a period up to six months, the collection, testing, processing and/or storage of any new cord blood and human tissues, or provision for any new types of tests to clients in Singapore (the "Notice"). As stated in the Notice, the Company has 14 days to make representations to MOH in relation to the contents of the Notice. On 13 December 2023, the Company announced that it will not be submitting written representations to MOH on the same. On 15 December 2023, the Company received a letter from MOH stating that MOH has considered the Company's response to the Notice, and had directed the Company to give effect to the contents of the Notice to stop for a period up to six months, the collection, testing, processing and/or storage of any new cord blood and human tissues, or the provision of any new types of tests to patients, with effect on and from 15 December 2023 (the "Suspension"). The Suspension is in connection with MOH's detection that certain cryogenic storage tanks based in Singapore (the "Tanks") had been exposed to temperatures outside of their normal temperature range, and investigations by MOH are ongoing. Since the end of December 2023, the Company started sending donated cord blood samples from the Tanks under investigation to a third-party laboratory in Singapore licensed by MOH for testing in batches. As previously announced on 30 November 2023, MOH's expert panel had also determined that the cord blood units ("CBUs") in a seventh cryogenic storage tank ("Tank A" as referred to in MOH announcement on 30 November 2023) were unlikely to be suitable for stem cell transplant purposes. The Company has offered to refund annual fees received from the start of the temperature excursion and waive subsequent fees for all active clients whose CBUs are stored in this affected tank, as well as continuing to store CBUs for these clients until their child turns 21.

On 8 April 2024, the Company announced that after the initial round of testing of the six cryogenic storage tanks and one dry shipper (the "Testing Update Announcement"), five of the cryogenic storage tanks are at low risk of being adversely affected by temperature excursions (the "Low-Risk Tanks") and all the CBUs from the Low-Risk Tanks that were tested have shown cell viability and potency. As the current round of testing is a high-level preliminary impact assessment to ascertain the risk of the temperature excursions affecting the CBUs, the Company will be sending over 200 samples, a statistically meaningful number of CBUs from the five Low-Risk Tanks, for testing to provide more assurance in the testing results ("Additional Testing of Low-Risk Tanks").

The remaining one cryogenic storage tank ("Tank 6") and the dry shipper have been deemed by MOH's expert panel to be at high risk of being adversely affected by the temperature excursions (the "High-Risk Tanks"). Arising from the test results, as the Company cannot be certain of the viability and potency of every CBU stored in the High-Risk Tanks, the Company will deem that the CBUs in the High-Risk Tanks are at high risk of being adversely affected by temperature excursions and have to be deemed non-viable. Since the CBUs in the High Risk Tanks are deemed impacted, the Company will be offering a refund of annual fees received from the start of the temperature excursion and waiving subsequent fees for all active clients whose CBUs are stored in the High-Risk Tanks, as well as continuing to store CBUs for these clients until their child turns 21 (the "Refund/Waiver for High-Risk Tanks").

While the outcome of the investigations and Additional Testing of Low-Risk Tanks are uncertain, the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2023 is appropriate, taking into account

available cash and cash equivalents and fixed deposits, net working capital forecasts based on reasonable possible circumstances, surrounding these key assumptions:

- cash outflow for refunds in respect of Tank A and the High-Risk Tanks;
- the lifting of the Suspension by June 2024;
- the estimated receipt of payments from customers under deferred payment plans for the next twelve months; and
- the receipt of dividends from subsidiaries.

No cash outflow has been considered for the following items as they cannot be determined at present:

- the outcome of the Additional Testing of Low-Risk Tanks and any potential refunds subsequent to the release of the test results; and
- fines and penalties imposed on the Company as a result of the Suspension and MOH investigation as well as any claims from customers.

36 Subsequent events

Investigations by the Commercial Affairs Department

On 22 March 2024, the Company announced that the Company received a notice dated 19 March 2024 ("Notice") from the Commercial Affairs Department ("CAD") and the Monetary of Authority of Singapore ("MAS") pursuant to Section 20 of the Criminal Procedure Code 2010 of Singapore, requiring the provision of certain documents and information in connection with investigations by the CAD into an offence under the Securities and Futures Act 2001 of Singapore (the "Investigations"). The offence is in connection with the potential breaches of the disclosure obligations of the Company in relation to the irregular temperatures of a certain cryogenic storage tank of the Company, which was first disclosed by the Company in its announcement dated 30 November 2023.

The Company was also informed by several Directors and former Director that they have attended interviews at the offices of the CAD and have been arrested in connection with the Investigations and released on bail. The directors who are not currently based in Singapore are also required, under a notice to the Company pursuant to Section 21 of the Criminal Procedure Code 2010 of Singapore dated 19 March 2024, to attend at the offices of the CAD for an interview in connection with the Investigations on 2 April 2024.

On 27 March 2024, the Company announced that the Chief Financial Officer has attended interviews at the offices of the CAD and has been arrested in connection with the Investigations and released on bail. The Company also announced on 5 April 2024 that it had received the following updates from the relevant Directors:

- i. Mr Wong had informed the CAD that he was unable to attend his interview due to health reasons, and is uncertain on the next interview date pending the CAD's agreement;
- ii. Mr Zhai and Ms Chen have obtained the CAD's agreement to postpone their interviews with the CAD to 21 May 2024; and
- iii. Mr Yiu has attended his interview at the offices of the CAD, and has been arrested in connection with the Investigations and released on bail. The Company understands that the offence is similarly in connection with potential breaches of the disclosure obligations of the Company in relation to the irregular temperatures of a certain cryogenic storage tank of the Company.

Update on Testing Results for Tanks under Investigation

On 8 April 2024, the Company released the Testing Update Announcement after the initial round of testing of the six cryogenic storage tanks and one dry shipper. Further details on the Testing Update Announcement is included in Note 2.1. In relation to the Refund/Waiver for High-Risk Tanks, the Company has estimated that the refund and waiver of annual fees for all affected active clients in the High-Risk Tanks would result in a decrease in revenue and profit before tax of approximately \$9.2 million for the financial year ending 31 December 2024.

Lodgement of Police Report

On 17 April 2024, the Board of Directors of the Company, excluding Mr Zhai Lingyun and Ms Chen Xiaoling, had lodged a police report in relation to the suspected involvement of mostly former employees of the Group in potential wrongdoings (the "Police Report") in connection with the exposure of Tank A (as defined in Note 2.1) to temperatures outside of its normal temperature range, which resulted in MOH expert panel determining that the CBUs in Tank A were unlikely to be suitable for stem cell transplant purposes (the "Tank A Incident").

Following the Tank A Incident, the Board of Directors had convened a Committee of Inquiry ("COI"), comprising certain Directors of the Company, to conduct further internal investigations into the Tank A Incident, as part of its efforts to investigate how the Tank A Incident had occurred and to prevent similar occurrences in the future.

The Police Report was lodged as the COI is of the view that it has uncovered preliminary evidence of potential wrongdoings involving mostly former employees of the Group in connection with the Tank A Incident, based on the preliminary findings of internal investigations conducted by an external consultant engaged by the COI (which are still ongoing) and the information available.

Proposed Placement and Interim Injunction in relation to Proposed Placement

On 16 April 2024, the Company entered into two separate subscription agreements ("the Subscription Agreements") with each of the Subscribers (as defined below) pursuant to which two persons, Charming Global Enterprises Limited and Ng Junwei, Darren (the "Subscribers") have agreed to subscribe for an aggregate of up to 51,195,478 new ordinary shares in the capital of the Company ("Subscription Shares" and each a "Subscription Share") at an issue price of \$0.16 for an aggregate cash consideration of \$8,191,276 ("Proposed Subscription").

The Proposed Subscription will allow the Company to strengthen its financial position by raising net cash proceeds (after deducting estimated expenses of approximately \$150,000) of approximately \$8,041,276 ("Net Proceeds"). The Company intends to utilise the Net Proceeds for working capital purposes, rebuilding of Singapore Brand and as cash reserve for contingency.

Under the Subscription Agreements, the Proposed Subscription is conditional upon, *inter alia*:

- i. the receipt of the listing and quotation notice from the SGX-ST (and such notice not having been withdrawn or revoked on or prior to the completion of the Proposed Subscription) for the dealing in, listing of and quotation for the Subscription Shares on the Mainboard of the SGX-ST;
- ii. the allotment, issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company or the Subscriber;
- iii. the trading of the Shares on the Mainboard of the SGX-ST not being suspended by the SGX-ST (other than a suspension on a temporary basis requested by the Company); and
- iv. the Shares remaining listed on the Mainboard of the SGX-ST.

On 19 April 2024, the Company had been informed by Rajah & Tann Singapore LLP ("Rajah & Tann"), solicitors for Nanjing Xinjiekou Department Store Co., Ltd. (a controlling¹ shareholder of the Company), Zhai Lingyun (Non-Independent Non-Executive Director) ("Mr Zhai") and Chen Xiaoling (Non-Independent Non-Executive Director) ("Ms Chen") (collectively, the "Claimants"), that the Claimants have filed an application (the "Application") before the High Court of Singapore (the "High Court") against the Company, Dr Ho Choon Hou (Acting Chairman and Non-Independent Non-Executive Director), Yeo Hwee Tiong (Independent Director), Cheong Tuck Yan Titus Jim (Independent Director), Yiu Ming Yiu (Non-Independent Non-Executive Director), Chow Wai Leong (Non-Independent Non-Executive Director) and Ivan Yiu Pang Fai (Group Chief Executive Officer) (collectively, the "Defendants") for the following orders:

- i. Pursuant to section 409A(1) of the Companies Act 1967 (the "Act"), the Claimants be granted an injunction restraining the Defendants from proposing to engage or engaging in conduct constituting a contravention of section 157 of the Act, including issuing or allotting, and/or assisting to issue or allot any ordinary shares in the Company pursuant to the Subscription Agreements (the "Private Placement");
- ii. Further and/or in the alternative, that pursuant to section 216A of the Act, the Claimants be granted leave to commence proceedings in the name and on behalf of the Company against the Defendants, for breaches of their respective duties to the Company (the "s216A Application");
- iii. In the event the s216A Application is granted, that the Claimants be granted an injunction restraining the Defendants from proposing to engage or engaging in the Private Placement; and
- iv. In the event that any proceedings for negligence, default, breach of duty or breach of trust is brought against Mr Zhai and Ms Chen in respect of their capacity as Directors of the Company, the Claimants be granted a declaration that Mr Zhai and Ms Chen have acted honestly and reasonably and ought to be excused for such negligence, default, breach of duty or breach of trust pursuant to section 391 of the Act.

The Company had also been informed by Rajah & Tann on 19 April 2024 that pending the hearing of the Application, the Claimants had filed an application, to seek an interim injunction restraining the Defendants from proposing to engage or engaging in conduct constituting a contravention of section 157 of the Act, including the Private Placement (the "Interim Injunction"). The High Court has granted the Interim Injunction on 19 April 2024.

The Company is currently seeking legal advice in relation to the Application and the Interim Injunction.

¹ As defined under the Listing Manual of the SGX-ST.