

CORDLIFE GROUP LIMITED
(Company Registration No. 200102883E)
(Incorporated in the Republic of Singapore)

**ANNUAL GENERAL MEETING TO BE HELD ON 12 JUNE 2020
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

The board of directors ("**Board**" or "**Directors**") of Cordlife Group Limited ("**Cordlife**" or the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Notice of Annual General Meeting ("**Notice of AGM**") released on 21 May 2020 relating to the Company's annual general meeting ("**AGM**") to be held by electronic means on 12 June 2020 at 10.00 a.m.

As stated in the Notice of AGM, the Company will address substantial questions and relevant comments (as may be determined by the Company at its sole discretion) related to the resolutions to be tabled for approval at the AGM from shareholders which are submitted no later than 10.00 a.m. on 9 June 2020 (i.e. 72 hours before the AGM).

The Company has received various questions from our shareholders and would like to thank shareholders for the questions and for submitting them by the submission deadline. As there were substantial overlaps in the questions received, we have for shareholders' ease of reference summarised and grouped together some questions and provided consolidated responses.

The Company would like to inform our shareholders that it has received questions relating to requests for information that might affect the competitive advantage of the Company, including but not limited to pricing strategies and market share information. We seek shareholders' kind understanding that the Company is unable to disclose such information in its responses due to the sensitive nature of the information. The responses to substantial and relevant questions are set out in the Appendix to this announcement.

For and on behalf of the Board
CORDLIFE GROUP LIMITED

Ms. Tan Poh Lan
Executive Director and Group CEO
11 June 2020

APPENDIX

1. How has COVID-19 affected the business thus far? COVID-19 is going to stay around. How does the company plan to grow the business under this condition?

Our operations in most of the markets remained stable in the first quarter ended 31 March 2020 despite the challenging operating environment.

The implementation of social distancing measures and closed borders in our operating countries have limited our marketing activities. Nevertheless, our staff were able to use alternative online means to reach out to our clients. We have rolled out online enrolment of our banking services to the clients with online consultations to address their queries and concerns. We are also ramping up our digital marketing campaigns to capture business opportunities. Since the start of the outbreak of COVID-19, we have also held webinars in each operating country to create awareness on cord blood, cord lining and cord tissue banking among the consumers. Moving forward, we will also engage the existing and potential clients more frequently via online platforms, which will also allow us to expand our reach to a larger crowd.

The Group recognises revenue from banking services upon delivery and subsequent storage of the sample. This typically happens two to three months after the client signs up. Given the rapidly evolving circumstances, the Group is currently unable to determine the full extent of the impact from the COVID-19 situation, and will continue to closely monitor current sign ups to assess the effect of COVID-19 pandemic on the banking segment.

We will continue our efforts to build on our core competencies in diagnostics services as we see a growing contribution from this segment. We have been setting the groundwork and fostering a positive relationship with our partners to introduce more diagnostics services relating to the mother and child segment in our markets.

As the full extent of the outbreak remains uncertain, the Group will continue to monitor the situation closely and respond accordingly.

2. Can you give us a breakdown of the revenue and earnings from the different segments?

The breakdown of the Group's revenue and segment profit before tax by segments for the financial year ended 31 December 2019 ("**FY2019**"), as well as the 12 months ended 31 December 2018 ("**12M2018**") for comparative purposes, is as follows:

Revenue

	FY2019		12M2018 (restated)	
	S\$'000	%	S\$'000	%
Banking	60,009	97.5	60,460	98.5
Diagnostics	1,570	2.5	932	1.5
Total	61,579	100.0	61,392	100

Segment profit before tax

	FY2019		12M2018 (restated)	
	S\$'000	%	S\$'000	%
Banking	5,473	95.9	1,927	100.0
Diagnostics	235	4.1	(44)	n.m.
Total	5,708	100.0	1,883	100.0

The total segment profit before tax for FY2019 grew two-fold year-on-year to S\$5.7 million from S\$1.9 million, mainly driven by higher gross profit as well as lower administrative expenses (due to lower staff costs in relation to improved efficiencies, decrease in impairment loss on receivables and foreign exchange gain).

3. What are the growth prospects of the Group?

Banking Segment

Our banking business is relatively stable in Singapore and Hong Kong. However, there is still potential in our growth markets such as Malaysia, India, the Philippines and Indonesia as well as new markets such as Vietnam, Myanmar and Bangladesh where the penetration rate is still relatively low. While the current utilisation rate of stored stem cells is still low, the Group's banking business will be a primary beneficiary with the growing number of clinical trials using stem cells. The Group has been actively seeking opportunities to collaborate with clinicians and hospitals to conduct clinical trials.

Singapore and Hong Kong

Singapore has the highest penetration rate among all markets. We were still able to record a growth in our gross profit margins though the competition in the industry was intense, largely due to our efforts to increase awareness of the potential of private cord blood, cord lining and cord tissue banking.

Our operations in Hong Kong faced much challenges from the protests in the second half of 2019. However, our staff have worked hard to ensure minimal disruption to the operations. Following our efforts in pursuing greater synergy and economies of scale between our brands in Hong Kong (Cordlife and Healthbaby) by streamlining the operations and rightsizing the employees, cost-savings were achieved. These initiatives have also strengthened our core competencies as we seek to increase our market share and better meet the needs of our clients in Hong Kong and Macau.

Malaysia, India, the Philippines and Indonesia

The penetration rates in Malaysia, India, Philippines and Indonesia are still relatively low. However, we believe that there is a huge potential for growth in these countries as the middle class' spending on healthcare is on the rise.

In May 2019, the Group has further strengthened its presence in Indonesia by successfully opened the largest stem-cell banking facility in the country. Besides being AABB accredited, the new facility has seven times more stem cell storage capacity than its previous facility and dedicated laboratory areas to accommodate increasing demand for diagnostic and genetic testing.

In August 2019, our facility in Philippines also received re-accreditation from AABB and remains as the only AABB accredited facility in the country.

New Markets - Vietnam, Myanmar and Bangladesh

We have expanded our presence in Myanmar and Vietnam in 2017 through marketing agents in view of increasing interest in these markets.

In August 2019, we also appointed Cordcell Bangladesh Ltd as our marketing agent in Bangladesh to capture demand for quality healthcare due to the rise of a progressive middle and affluent class.

Diagnostics Segment

We have seen growth in diagnostics segment where revenue contribution from diagnostics segment grew by 68% from S\$0.9 million in 12M2018 to S\$1.6 million in FY2019. Diagnostics segment is one of our growth engines in all of our operating countries, which is expected to drive our business forward. As the marketing of diagnostics services like non-invasive prenatal testing can be done through our existing channels established in the mother and child segment, we will continue to increase the scope of our services.

Digital Healthcare Segment

We are in the midst of developing a mobile application known as Moms Up, to provide health-related information and resources to help Asian women who are expecting a baby or planning to conceive as well as women with young children. Leveraging on this digital platform, we intend to expand our reach to our potential clients and increase touchpoints with our existing clients. The platform also serves as a base for us to educate and increase awareness of our services, thereby increasing the efficiency of our marketing spend. As we build up the content base and the digital capabilities of the platform, Moms Up can also potentially generate new revenue streams for the Group. Upon completion, we will be launching Moms Up in our core markets.

4. What are the key challenges that the Group is facing? How would the Group overcome these challenges?

The recent outbreak of the COVID-19 in early 2020 has caused fear worldwide and has resulted in a negative impact to the economy. The implementation of social distancing measures and closed borders have restricted our marketing activities. The COVID-19 pandemic has pushed the world into a new normal, prompting a digital revolution. Thus, we are also expanding our online presence by accelerating our implementation of e-enrolment as clients are now more receptive to online consultation. In addition, we are working closely with financial institutions and introducing more payment plans to cater to the needs of our clients.

Birth rates are stagnating or declining in our target market segments in all our operating countries. It is a known trend that middle to upper class professionals living in the urban areas are having fewer babies. The good news, however, is that as these parents become more affluent, they have higher disposable income to invest on their child. In particular, with the increasing demand for diagnostic services in all markets, we are able to roll out more products and services. In addition, with a wider suite of services at our disposal, we are able to upsell our services and offer product and service bundles to our clients.

Stem cell therapeutics are subject to regulatory oversight in each operating country. We welcome governmental efforts to set ethical guidelines that will allow our industry to progress cautiously and responsibly as well as to grow in a healthy manner. Notwithstanding this, we do observe encouraging worldwide trend of better alignment of regulations and guidance for cell therapeutics. We are proactively exploring opportunities to work with clinicians and hospitals to conduct pre-clinical and clinical studies using stem cells.

5. What skill sets or resources are needed to propel the Company going forward?

a. People, our guiding principle and values

We remain committed to our goal in helping people live healthier, happier and longer by providing reliable healthcare solutions through innovation, technological advancement and commitment to quality. We hold the values of integrity, drive for excellence, accountability, teamwork and initiative dearly to our hearts. These are the guiding principles that underpin how we will continue to achieve business growth and success in our key markets.

b. Digital transformation

Digital transformation is one of the growth drivers, which allows us to capture greater business opportunities. Additionally, the COVID-19 pandemic has pushed the world into a new normal, prompting a digital revolution. Therefore, we will continue with our efforts to enhance our IT infrastructure, which is in line with our plan of expanding our digital presence.

c. Continued innovation and strengthen research capabilities

With the goal of building an ecosystem to help our clients use their stem cells, we recognise the need to enhance our research capabilities. We aim to build up our in-house testing capabilities for both our banking and diagnostic segments which, on top of being able to generate new revenue streams, are also expected to reduce the cost of outsourcing. We are also on a constant lookout for mergers and acquisition targets that can strengthen our research capabilities and complement our existing business.

d. Strong cash position

We have maintained a strong balance sheet with cash and cash equivalents, pledged and unpledged fixed deposits and short-term investments of S\$54.0 million as at 31 December 2019. We believe that it is important to maintain a strong cash position as we strive to grow our business by capturing good business opportunities as and when they arise. Having a low gearing also allows us to have headroom for borrowings when additional resources are required.

6. What is the Group's market positioning in terms of pricing for cord blood storage compared to peers?

We are the price leaders in most of the markets that we operate in. Our pricing varies between markets but we still remain competitive in the industry. Our services are priced at a premium as we are committed to providing quality and reliability service to our clients to support their healthcare needs.

All of the Group's facilities are accredited by AABB, the organisation behind the world's gold standard for cord blood banking. The accreditations and re-accreditations were awarded to the Group after the Group was determined to have met or exceeded the stringent standards set by AABB, following rigorous on-site audits conducted by trained AABB assessors.

We have been and will continue to enhance operational systems within our facilities to adhere to the highest quality standards, ensuring that our clients are given world-class quality and reliable cord blood banking services wherever we operate as we are accountable to all our clients who placed their trust in us. In addition, we are also currently investing in building our in-house testing capabilities as well as expanding our product and service offerings to better serve our clients.

7. How does the Group manage its account receivables?

All country heads perform ongoing credit evaluation of debtors' financial condition and make specific allowances for impairment of trade receivables based on expected collectability. Our credit control department will closely monitor the debts payment and pursue slow debtors.

Over the years, the proportion of upfront payment plans has grown compared to deferred payment plans as we seek to manage our receivables efficiently despite the growing customer bases. We are also working closely with financial institutions to introduce more payment options while balancing the health of our trade receivables.

8. What is the distribution of clients' tenure and how would the Group engage the clients whose contracts are approaching expiry?

The Group signed its first contract with clients when it started in Singapore in 2001. As the Group has turned 19 this year, clients who have signed the 21-year banking contracts with the Group in its early formation years will be due for renewal in a couple of years. Though this group of clients only forms a small portion of our entire portfolio, we are engaging them well before the expiry of their contracts so as to encourage them to continue storing their precious stem cells. This pool of clients is also reaching their adulthood and they may form families of their own in the near future, which can potentially be a new client base for the Group. In view of the widening awareness and applications of stem cell therapies, we believe these clients will be more receptive to renewing their contracts as well as to storing their children's cord blood and cord lining with us.

9. What are your plans for the China market?

We have been proactively looking for acquisition targets to further fortify our market position and expand our presence in the industry.

China is one of the markets that we have always been looking at as we see potential opportunities in China's cord blood banking industry arising from the abolishment of the one-child policy. In recent years, China has marked remarkable advancements in stem cell therapies, bringing a fresh insight into regenerative medicines. There is strong government support and investment in stem cell research. This will bode well for our strategy of building the ecosystem of utilisation.

On 4 June 2019, we had announced that we had made an indicative, non-binding proposal for a statutory merger with Global Cord Blood Corporation ("GCBC"), the first and largest cord blood bank in China. However, the negotiations are still in the preliminary stage. Other than the foregoing, we are also exploring various opportunities in China via joint ventures or strategic alliances with parties who can strengthen our market position and add value to our existing business.