7.3 SL PROPERTIES (Company Level)

Below is the Cash Flow Statement of SL Properties :-

	Period ended 31 December 2005	01.01.06 to 30.06.06
	RM '000	RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(48)	(13)
Adjustments for :		
Depreciation	46	23
Operating profit before working capital changes	(2)	10
Payables	7	4
Holding company	1,388	(14)
Net cash generated from operating activities	1,393	-
CASH FLOW FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,393)	-
Investment in associated company	-	-
Net cash used in investing activities	(1,393)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	- *	-
Net cash generated from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	-	-
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and bank balances	-	-

** RM 100*

Note :

(a) There are no unaudited cash flow statements for the six months ended 30 June 2005 for comparison purposes as SL Properties was incorporated on 26 April 2005.

7.4 SL DIAGNOSTICS (Company Level)

Below is the Cash Flow Statement of SL Diagnostics :-

	Period ended 31 December 2005	01.01.06 to 30.06.06
	RM '000	RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(4)	(1)
Operating profit before working capital changes	(4)	(1)
Payables	2	-
Holding company	2	1
Net cash generated from operating activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	- *	-
Net cash generated from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	-	-
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and bank balances	-	-

* *RM 100*

Note :

(a) There are no unaudited cash flow statements for the six months ended 30 June 2005 for comparison purposes as SL Diagnostics was incorporated on 10 May 2005.

7.5 SL THERAPY (Company Level)

Below is the Cash Flow Statement of SL Therapy :-

	Period ended 31 December 2005	01.01.06 to 30.06.06
	RM '000	RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(4)	(1)
Operating profit before working capital changes	(4)	(1)
Payables	2	-
Holding company	2	1
Net cash generated from operating activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	- *	-
Net cash generated from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	-	-
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and bank balances	-	-

** RM 100*

Note :

(a) There are no unaudited cash flow statements for the six months ended 30 June 2005 for comparison purposes as SL Therapy was incorporated on 10 May 2005.

7.6 SL LOGISTICS (Company Level)

Below is the Cash Flow Statement of SL Logisitcs :-

	21.01.06 to 30.06.06 RM '000
CASH FLOW FROM OPERATING ACTIVITIES	
Loss before taxation	(3)
Operating profit before working capital changes	(3)
Payables	1
Holding company	2
Net cash generated from operating activities	-
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issuance of share capital	-
Net cash generated from financing activities	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	-
CASH AND CASH EQUIVALENTS COMPRISE :	
Cash and bank balances	-

** RM 2*

Note :

(a) There are no unaudited cash flow statements for the six months ended 30 June 2005 for comparison purposes as SL Logistics was incorporated on 21 January 2006.

8.0 STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity of StemLife set out below is based on the audited accounts of StemLife for the year ended 31 December 2005 and the six months ended 30 June 2006, the audited accounts of SL Properties, SL Diagnostics and SL Therapy for the financial period ended 31 December 2005 and the six months ended 30 June 2006, the audited accounts of SL Logistics for the six months ended 30 June 2006 and the audited accounts and management accounts of Thai StemLife for the financial period ended 31 December 2005 and six months ended 30 June 2006 respectively.

	Share Capital RM '000	Share Premium RM '000	(Accumulated Loss)/ Unappropriated Profit RM '000	Total RM '000
Balance at 1 January 2005	1,800	-	(5)	1,795
Shares issued	5,200	-	-	5,200
Profit for the year	-	-	2,041	2,041
Balance at 31 December 2005	7,000	-	2,036	9,036
Shares issued	5,500	4,000	-	9,500
Profit for the period	-	-	1,236	1,236
Balance at 30 June 2006	12,500	4,000	3,272	19,772

8.1 StemLife (Company Level)

Below is the Statement of Changes in Equity of StemLife :-

	Share Capital RM '000	Share Premium RM '000	(Accumulated Loss)/ Unappropriated Profit RM '000	Total RM '000
Balance at 1 January 2003	1,000	-	(627)	373
Shares issued	800	-	-	800
Loss for the year	-	-	(591)	(591)
Balance at 31 December 2003	1,800	-	(1,218)	582
Profit for the year	-	-	1,213	1,213
Balance at 31 December 2004	1,800	-	(5)	1,795
Share issued	5,200	-	-	5,200
Profit for the year	-	-	2,498	2,498
Balance at 31 December 2005	7,000	-	2,493	9,493
Shares issued	5,500	4,000	-	9,500
Profit for the period	-	-	1,489	1,489
Balance at 30 June 2006	12,500	4,000	3,982	20,482

9.0 NOTES TO THE FINANCIAL STATEMENTS

9.1 CORPORATE INFORMATION

StemLife is principally engaged in the following activities :-

(a) stem cell therapies and consultancy services;
(b) collection, testing, processing and cryo-preservation of umbilical cord blood stem cells ("UCBSC Banking");
(c) harvesting, testing, processing and cryo-preservation of peripheral blood stem cells ("PBSC Banking"); and
(d) investment holding.

The principal activities of its subsidiary companies are disclosed in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

9.2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group are prepared under the historical cost convention and in compliance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are considered using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest.

Any excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of an acquisition is recognised in the income statement on the date of acquisition.

Intergroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidated unless costs cannot be recovered.

(i) **Subsidiaries (cont'd)**

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any carrying amounts of goodwill and exchange differences.

Minority interest in the consolidated balance sheet consist of the minorities' share of fair value of the identifiable assets and liabilities of the acquiree as at acquisition

(ii) **Associated companies**

Associated companies are those companies in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the companies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies. Under the equity method of accounting, the Group's interest in associated companies is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained earnings or accumulated losses and other reserves. The Group's share of profits less losses of associated companies during the year is included in the consolidated income statement. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company.

Goodwill related to an associated company is included in the carrying amount of the investment and is not amortised.

The reporting dates of the associated company and the Group are identical and the associate company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

(c) **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation, and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.2(i).

Gain or losses arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statement.

Property, plant and equipment are depreciated on the straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows:

	Rate
Office suite	2%
Laboratory equipment	Over 7 years
Furniture and fittings	20%
Office equipment	10 - 20%
Computer equipment	25%
Renovation	10 - 25%
Advertising and exhibition equipment	33.33%

(d) Other investments

Investments are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 9.2(i).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Deferred expenditure

Deferred expenditure represents expenses incurred in connection with the Listing of StemLife on the MESDAQ Market of Bursa Malaysia Securities Berhad and will be written off against share premium account arising thereon.

(f) Subsidiary companies

A subsidiary company is a company in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at historical cost less any provision for diminution in value. Provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. It is recognised as an expense in the period in which it is made.

(g) Associated companies

Associated companies refer to those companies in which the Group has a long term effective interest between 20% to 50% of the equity capital and the Group is in a position to exercise significant influence on the management.

Investments in associated companies are stated at historical cost less any provision for diminution in value. Provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. It is recognised as an expense in the period in which it is made.

(h) Assets under lease

Assets under lease which in substance transfer the risk and benefits of ownership of the assets to the StemLife are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term.

(i) Impairment of assets

At each balance sheet date, StemLife reviews the carrying amounts of its assets to determine whether there is any indication of impairment. Intangible asset with indefinite useful lives such as goodwill is tested for impairment annually at financial year-end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount is the higher of an assets' or cash-generating unit's fair value less costs to sell and its value in use.

(i) Impairment of assets (cont'd)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expenses categories with the function of the impaired asset.

An impairment loss is recognized as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilized previously recognized revaluation surplus of the same asset.

(j) Cash flow statement

StemLife adopts the indirect method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

(k) Foreign currency transactions

Foreign currency transactions are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates and, where settlements have not taken place at balance sheet date, at the approximate rate prevailing at that date. All gains and losses on exchange conversion are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows :-

Foreign Currency	**2006**	**2005**
	RM	**RM**
100 Thai Baht	9.62	9.23
1 Singapore Dollar	2.33	2.28

(l) Provisions for liabilities

Provisions for liabilities are recognised when StemLife has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(m) Revenue recognition

Revenue of StemLife is recognised when goods and services are rendered and accepted by customers.

Dividend income – when the shareholders' right to receive payment is established.
Interest income – as it accrues unless recoverability is in doubt.

(n) Income tax

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable income for the period and any adjustments recognised in the period for current tax of prior years.

Deferred tax is recognised, using the liability method, on temporary differences except where the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

(o) Employee benefits

(i) Short term benefit
Wages, salaries, bonuses and social security contribution are recognised as an expense in the period in which employees of StemLife rendered the associated services. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans
As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(p) Financial instruments

Financial instruments are recognised in the balance sheet when StemLife has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when StemLife has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(i) Other non-current investment
Non-current investments other than investments in subsidiaries, associated companies and joint ventures are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.2(i).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(p) Financial instruments (cont'd)

(ii) *Receivables*
Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) *Payables*
Trade and other payables are stated at cost which are the fair value of the consideration to be paid in the future for goods and services received.

(iv) *Interest-bearing borrowings*
Interest-bearing bank loans are recorded at the face value of the loan amount.

Borrowings cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) *Equity instruments*
Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they declared.

9.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

COST

	30 JUNE 2006 OPENING RM '000	ADDITION RM '000	DISPOSAL RM '000	CLOSING RM '000
Office suites	1,168	-	-	1,168
Laboratory equipment	1,754	94	-	1,848
Furniture and fittings	29	3	-	32
Office equipment	143	10	(2)	151
Computer equipment	118	13	(4)	127
Renovations	396	486	-	882
Advertising and exhibitions equipment	23	-	-	23
	3,631	606	(6)	4,231

ACCUMULATED DEPRECIATION

	30 JUNE 2006 OPENING RM '000	CHARGE FOR THE YEAR RM '000	DISPOSAL RM '000	CLOSING RM '000
Office suites	23	12	-	35
Laboratory equipment	336	127	-	463
Furniture and fittings	8	3	-	11
Office equipment	48	14	(1)	61
Computer equipment	50	14	-	64
Renovations	44	54	-	98
Advertising and exhibitions equipment	14	3	-	17
	523	227	(1)	749

NET BOOK VALUE

	30 JUNE 2006 OPENING RM '000	CLOSING RM '000
Office suites	1,145	1,133
Laboratory equipment	1,418	1,385
Furniture and fittings	21	21
Office equipment	95	90
Computer equipment	68	63
Renovations	352	784
Advertising and exhibitions equipment	9	6
	3,108	3,482

Included in office equipment is an item with the net book value of RM34,850 being acquired under lease arrangements.

9.4 INVESTMENT IN ASSOCIATED COMPANY

	31 December 2005 RM'000	30 June 2006 RM'000
Unquoted shares – at cost	945	945
Share of associated company's loss	(399)	(629)
	546	316

Details of the associated company are as follows :-

Name	:	Thai StemLife Co. Ltd
% of Equity held	:	40%
Country of incorporation	:	Thailand
Principal Activities	:	Stem cell therapies and consultancy services, UCBSC Banking and PBSC Banking

9.5 OTHER INVESTMENT

	31 December 2005 RM'000	30 June 2006 RM'000
Pru Bond Fund – at cost	3,533	3,533
– at market value	3,417	3,533
Unquoted Shares	-	6,000

9.6 DEFERRED EXPENDITURE

	31 December 2005 RM'000	30 June 2006 RM'000
At beginning of year/period	-	93
Incurred during the year/period	93	253
At end of year/period	93	346

9.7 TRADE RECEIVABLES

		31 December 2005	30 June 2006
Trade receivables	(RM'000)	920	1,513
Provision for doubtful debts	(RM'000)	-	-
% of trade receivables to turnover	%	12.14	26.79
Trade receivables turnover period	Days	44	49

StemLife's normal credit term ranges from 30 to 90 days. Other credit terms are assessed and negotiated on a case-by-case basis. The turnover period for the trade receivables during the financial year and period under review is within the normal credit term.

The trade receivables turnover period increased slightly between 31 December 2005 and the six months ended 30 June 2006 to 49 days. This is in line with the credit policy of Company.

The Directors of StemLife are of the opinion that the Groups's trade receivables balances are reasonable and are neither excessive nor unusually low.

9.8 AMOUNT DUE FROM ASSOCIATED COMPANY

These amounts are interest-free, unsecured and have no fixed terms of repayment.

9.9 TRADE PAYABLES

		31 December 2005	30 June 2006
Trade payables	(RM'000)	920	1,513
Trade receivables turnover period #	Days	18	11

 # Based on Cost of Sales less depreciation included as part of Cost of sales (2005 - RM186,000 and up to 30 June 2006 – RM127,000).

StemLife's normal credit term ranges from 30 to 90 days.

The turnover period is within the credit terms given by suppliers. The Group has not defaulted in any payments to the trade creditors and there are no legal actions taken by any trade creditors to recover any amounts owed.

The Directors are of the opinion that the trade payables turnover period is comparable with the industry norm.

9.10 AMOUNT DUE TO DIRECTORS

These amounts are interest-free, unsecured and have no fixed terms of repayment.

9.11 LEASE PAYABLES

	31 December 2005 RM'000	30 June 2006 RM'000
Repayable within one year	25	9
Repayable after one year	-	-
	25	9
Less: Unexpired interest	(4)	(2)
	21	7
Due within one year	21	7
Due after one year	-	-
	21	7

9.12 SHARE CAPITAL

Authorised:

	Number of shares ('000)	RM'000
Ordinary Shares		
At beginning of 01.01.05 at RM0.01 each	300,000	3,000
Reclassified from Series A Preference Shares	200,000	2,000
Consolidated to RM0.10 per share	(450,000)	-
Increased on 30.11.2005	50,000	5,000
Increased on 25.04.2006	150,000	15,000
At end of 30.06.06 at RM0.10 each	250,000	25,000
Series A Redeemable Convertible Preference Shares		
At beginning of 01.01.05 at RM0.01 each	200,000	2,000
Reclassified to Ordinary Shares	(200,000)	(2,000)
At end of 30.06.06	-	-
Total Authorised Share Capital	250,000	25,000

9.12 SHARE CAPITAL (cont'd)

Issued and fully paid:

	Number of shares ('000)	RM'000
Ordinary Shares		
At beginning of 01.01.05 at RM0.01 each	100,000	1,000
Converted from Series A Preference Shares	80,000	800
Consolidated to RM0.10 per share	(162,000)	-
Allotment on 08.07.2005	32,000	3,200
Allotment on 30.11.2005	20,000	2,000
Allotment on 07.04.2006	30,000	3,000
Allotment on 26.04.2006	25,000	2,500
At end of 30.06.06 at RM0.10 each	125,000	12,500
Series A Redeemable Convertible Preference Shares		
At beginning of 01.01.05 at RM0.01 each	80,000	800
Converted into Ordinary Shares	(80,000)	(800)
At end of 30.06.06	-	-
Total Issued and Paid-Up Share Capital	125,000	12,500

At an Extraordinary General Meeting held on 25 April 2006, the authorised capital of the Company was increased from RM10,000,000 to RM25,000,000 by the creation of 150,000,000 new ordinary shares of RM0.10 each.

The issued and paid up share capital of the Company was increased from RM7,000,000 to RM10,000,000 on 7 April 2006 and further increased from RM10,000,000 to RM12,500,000 on 26 April 2006 through an allotment of 30,000,000 and 25,000,000 ordinary shares of RM0.10 each and ranking pari passu with the existing ordinary shares.

9.13 REVENUE

Revenue represents the gross invoiced value less discount.

9.14 PROFIT BEFORE TAXATION

This has been determined after charging the following items :

	30 June 2005 RM'000	30 June 2006 RM'000
	(Unaudited)	
Depreciation	81	226
Directors' remuneration	18	210
Lease interest	2	2
Loss on disposal of property, plant and equipment	-	4
Preliminary expenses	8	2
Rental – office	36	57
Rental – laboratory	34	76
and crediting :-		
Sundry income	-	15

9.15 TAXATION

The provision for taxation for the current year is computed at the prevailing tax rates.

	30 June 2005 RM'000	30 June 2006 RM'000
	(Unaudited)	
Provision for current year/period	1	4
Underprovision for prior year/period	-	-
	1	4

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of StemLife is as follows :-

	30 June 2005 RM'000	30 June 2006 RM'000
	(Unaudited)	
Profit before taxation	849	1,240
Taxation at Malaysian tax rates – 28%	238	347
Effect of difference tax rates of 20% for qualified small and medium enterprise	-	1
Expenses not deductible for tax purposes	-	86
Effect of income exempted from tax	(237)	(430)
	1	4

No provision for taxation was made on business income as StemLife was granted pioneer status by Multimedia Super Corridor of the Promotion of Investment (Amendment) Act, 1986, where the business income is tax exempted for a period of five years beginning 8 May 2002.

9.15 EMPLOYEE INFORMATION

	30 June 2005 RM'000	30 June 2006 RM'000
	(Unaudited)	
Salay and wages	557	1,524
E.P.F. and Socso contributions	67	169
Other staff related expenses	4	8
	628	1,701
Average number of employees	48	85

Salary and wages include salaries, allowances and Directors' remuneration.

9.16 CONVERSION TO PUBLIC COMPANY

At an Extraordinary General Meeting held on 28 April 2006, StemLife was converted to a public company.

9.17 FINANCIAL INSTRUMENTS

Financial risk management policies
StemLife is exposed to a variety of risk in the normal course of business. StemLife's risk management seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks are as follows:

(a) *Interest rate risk*
The Group is exposed to interest risk through the impact of rate changes on interest bearing assets and liabilities.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

(b) *Credit risk*
The Group is exposed to credit risk mainly from trade and other receivables. StemLife extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers fail to perform their obligations as at period end, is the carrying amount of these receivables as disclosed in the balance sheet.

(c) *Foreign currency risk*
The Group does not have material foreign currency transactions, assets or liabilities and hence has minimal foreign currency risks.

(d) *Liquidity and cash flow risk*
The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flow associated with its monetary financial instruments.

Fair Values
The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate their respective net fair values.

10.0 EVENTS SUBSEQUENT TO 30 JUNE 2006

(a) On 2 August 2006, StemLife received approval-in-principle for the listing and quotation of its entire enlarged issued and paid-capital on the MESDAQ Market of Bursa Malaysia Securities Berhad.

(b) No audited accounts have been prepared in respect of any period subsequent to 30 June 2006.

Yours faithfully,

LEOU & ASSOCIATES
Chartered Accountants
Firm No: AF - 0659

Leou Thiam Lai
Approved Company Auditor
Treasury Approval No. 1269/6/08(J)
Kuala Lumpur, Malaysia

Company No. 566770 - D
LEOU & ASSOCIATES
Chartered Accountants (AF 0659)

107-B, Jalan Aminuddin Baki,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur.
Tel: 03-7727 5573 Fax: 03-7727 0771

A Member Firm Of The
Malaysian Institute of Accountants
(Established under the Accountants Act 1967)
Institut Akauntan Malaysia
(Diperbadankan di bawah Akta Akauntan 1967)

APPENDIX I

AUDITORS' REPORT TO THE MEMBERS OF STEMLIFE SDN. BHD.

(Incorporated in Malaysia)

We have audited the accompanying financial statements of STEMLIFE SDN. BHD. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the above financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

   (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and

   (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and

Company No. 566770 - D

APPENDIX I

(b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comment made under Section 174 (3) of the Act.

LEOU & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM NO: AF-0659

LEOU THIAM LAI
APPROVED COMPANY AUDITOR
TREASURY APPROVAL NO.1269/6/06 (J)

KUALA LUMPUR
DATE: 20 FEB 2006

Company No. 566770 - D

LEOU & ASSOCIATES
Chartered Accountants (AF 0659)

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Date: 27 JUL 2006

APPENDIX II

The Directors
STEMLIFE BERHAD
(Formerly known as Stemlife Sdn. Bhd.)
B-7-15 MEGAN AVENUE 2
12 JALAN YAP KWAN SENG
50450 KUALA LUMPUR
WILAYAH PERSEKUTUAN

Gentlemen,

AUDITORS' LETTER ON THE BALANCE SHEETS, STATEMENTS OF INCOME, CHANGES IN EQUITY AND CASH FLOW OF THE GROUP AND OF THE COMPANY FOR THE PERIOD FROM 1 JANUARY 2006 TO 30 JUNE 2006

We have reviewed the Balance Sheets, Statements of Income, Changes in Equity and Cash Flow of the Group and of the Company, for which the Directors are solely responsible, for the financial period from 1 January 2006 to 30 June 2006.

In our opinion, the Balance Sheets, Statements of Income, Changes in Equity and Cash Flow for the financial period from 1 January 2006 to 30 June 2006, have been properly compiled and presented on a basis consistent with the accounting policies normally adopted by STEMLIFE BERHAD (formerly known as Stemlife Sdn. Bhd.).

Our report is solely for the limited review purpose and is not to be used for any other purpose.

Yours faithfully,

LEOU & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM NO: AF-0659

LEOU THIAM LAI
APPROVED COMPANY AUDITOR
TREASURY APPROVAL NO.1269/6/08 (J)