

6. BUSINESS

6.1 HISTORY AND BUSINESS OVERVIEW

We were incorporated in Malaysia under the Act on 13 December 2001 as a private limited company under the name StemLife Sdn Bhd and subsequently converted to a public limited company on 19 May 2006. As at the date of this Prospectus, our authorised share capital is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each, of which RM12,500,000 comprising 125,000,000 StemLife Shares are issued and fully paid-up.

We are Malaysia's leading life-science company in the stem cell industry with a mission to offer modern and advanced medical treatments for major diseases afflicting Malaysians. Cellular and tissue regeneration, which stem cells can provide, is now known to be the path to natural and sustained healing as current drug treatments or surgery may only be palliative. Through our stem cell therapy and banking divisions, we have been successfully involved in the treatment of patients with heart disease, diabetic foot ulcer and blood disorders such as leukemia, lymphoma and thalassemia major. We will also progressively offer therapies for tendon, ligaments and joint conditions in the next two (2) years.

We are a MSC status company with the vision of promoting regenerative medicine, in the form of stem cell therapy, to Malaysians and elevate Malaysia as the leading stem cell therapeutic treatment center in South East Asia. With advancements being made in stem cell therapies, the Company aims to provide stem cell banking, stem cell therapies and consultancy services to the Malaysian public at an affordable cost as compared to procuring these services overseas.

Our principal activities are:

- stem cell therapies and consultancy services;
- collection, testing, processing and cryo-preservation of UCBSC;
- harvesting, testing, processing and cryo-preservation of PBSC; and
- investment holding.

Stem cells are cells with the ability to form many different cell types (under the right conditions and given the right signals). We deal with UCBSC and PBSC which have the ability to create immune cells and have the potential to generate replacement cells and tissue. As such, stem cells are able to renew and replace a damaged bone marrow to provide undiseased cells to a recipient's blood system and improve a person's immune system to cure, protect and prevent against diseases and stimulate the regeneration of damaged cells. In short, stem cell therapy has the scope to change disease treatment.

We are Malaysia's first stem cell services company. During the start-up years, we recognised the need to establish and build a large base of banked stem cells, the process of which would also create and develop awareness of the uses of stem cells, while establishing the market for potential stem cell therapy users. Concurrently with building this customer base, we continue to develop stem cell therapies in Malaysia, all of which would strategically place us as the front-runner in Malaysia's stem cell/regenerative medicine market and the obvious choice to consult on stem cell therapies. As at the Latest Practicable Date, we have been involved in nineteen (19) transplants (both allogenic and autologous) for the treatment of leukemia, thalassaemia major, heart disease, diabetic foot ulcer and lymphoma. All the stem cells engrafted successfully in the nine (9) patients with leukemia and lymphoma. All the patients with thalassaemia major remain transfusion free six (6) months after the transplant. All the patients with heart disease saw an improvement in the pumping efficiency of their heart after stem cell therapy while stem cells healed the foot ulcer in the three (3) patients with diabetes.

We collected our first UCBSC sample within a month after our incorporation. By April 2003, we have expanded our market presence from Kuala Lumpur to Penang. In Penang, we have the occasion to collect, process and cryo-preserve a PBSC sample. Subsequently, the sample was prepared for transplant. This was the first PBSC transplant that we consulted on and the recipient of the transplant is now showing no symptoms of the disease.

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Currently, we have a wide presence throughout Peninsular and East Malaysia, with branches in eight (8) major towns and cities. By June 2003, we had also collected UCBSC samples from Singapore and Hong Kong. Through our extensive marketing and medical network and our efforts in educating the Malaysian public and medical practitioners on the benefits of stem cells, we had amassed 1,000 UCBSC samples by May 2004, averaging approximately a sample each day since the commencement of our operations.

In June 2004, we consulted on our first allogenic UCBSC transplant. The transplant was performed on a one (1) year old child suffering from acute myeloid leukaemia, who was expected to have not more than twelve (12) months to live. UCBSC was collected from her baby brother and subsequently donated and transplanted to her. Currently (more than two years since the transplant), the recipient of the stem cell transplant remains free of the disease. Later in 2005, we expanded our services to offer all Malaysians the pain-free, non-invasive PBSC harvesting option as an alternative to the traditional, painful bone marrow extraction process.

6.2 PRINCIPAL SERVICES

People store their stem cells as biological insurance to be called upon when necessary to possibly cure or reduce the effects of certain diseases and/or genetic disorders. Currently, stem cells are being used to treat some of the world's most prevalent conditions including cancer and thalassaemia major. While there are presently over 72 diseases that are treatable with stem cell therapy, further advances continue to be made on a daily basis strengthened by on-going trials globally for the application of stem cells to treat conditions such as diabetic ulcers, cardiovascular diseases and autoimmune diseases. Active research is on-going for Alzheimer's disease, Parkinson's disease, bone and cartilage damage, and stroke. As further applications/uses of stem cells are discovered and the benefits of stem cell therapies becomes more widely known, we will be positioned to leverage on this heightened awareness and possible resultant demand for the preservation of stem cells.

Besides UCBSC and PBSC Banking, we offer stem cell therapy and consultancy services. Through our collaborations with doctors, we improve stem cell application techniques while our research initiatives are aimed at enhancing the value of stem cells as well as expanding the stem cell industry.

For those individuals who develop and suffer from certain genetic disorders or are afflicted with certain diseases, our banking service is the first part of our involvement. By leveraging on our active involvement in the application of stem cell therapies, we are able to act as an additional and valuable source of information to our customers through sharing our wealth of knowledge built from first-hand experience with practical stem cell therapy applications, and guiding our customers through a rapidly changing industry where opinions, even between medical practitioners, are rarely unanimous. We link our customers and their stored stem cells to our Medical and International Advisory Panels consisting of experienced, prominent medical practitioners, to pioneering or established stem cell therapies and to the medical specialists who oversee the application of these stem cell therapies.

We are the only full service stem cell provider offering stem cell banking, and stem cell therapy and consultancy services in Malaysia.

For further details on the major applications for and benefits of stem cells, please refer to Section 6.2.3 of this Prospectus.

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6.2.1 UCBSC Banking

Description

We provide client counselling, and collection, transportation, processing and cryo-preservation of UCBSC for a fee. The UCBSC is obtained non-invasively and safely from the remaining blood of the umbilical cord.

After the baby has been born, the remaining blood from the cut umbilical cord is collected conveniently into a blood bag. The filled blood bag is then sent to our laboratory for processing, testing and long term cryo-preservation. The collection and preservation of the UCBSC is a once-in-a-lifetime opportunity for each newborn baby and StemLife reserves the banked unit for the family's use in future.

Benefits

UCB is a rich source of stem cells. As UCB is collected after delivery of the baby, the process is non-invasive/intrusive and does not interfere with the provision of medical care to the mother or the newborn. Other advantages of using UCBSC are as follows:

- UCB provides a readily available source of stem cells and is extracted from the umbilical cord which is routinely discarded after delivery;
- UCB contains a less developed cell population and this is associated with a lower risk of rejection by the immune system of the recipient (less graft versus host disease), a potentially life-threatening immune response;
- As UCBSC are an exact tissue match from the baby, immune reactions are avoided; and
- Avoids the ethical issues surrounding embryonic stem cell collection.

Target Market

Expectant mothers represent the potential market for UCBSC Banking services and as such birth rates are a direct indication of market size. As the benefits of stem cell therapies and awareness of stem cell banking increases, the demand for UCBSC Banking services from expectant mothers would also rise. According to Frost & Sullivan, the growth in new UCBSC samples from 2005 to 2010 is expected to exhibit strong growth rates ranging between 21.9% and 37.7% which would directly result in the market size for UCBSC Banking, which in 2005 was estimated to be worth RM10.23 million, growing to RM36.29 million in 2010. This is a large domestic market size for an industry currently serviced by only two companies, of which we have a dominant market share of 63%.

6.2.2 PBSC Banking

Description

For adults, we provide for the harvesting, processing, testing and cryo-preservation of the stem cells from the blood of the individual. The cryo-preserved unit may be used immediately in a stem cell transplant or cryo-preserved for use in the future. We are the only private stem cell bank in Malaysia to offer PBSC Banking.

Donors undergoing PBSC harvesting go through a mobilization process to move stem cells into the bloodstream. They are injected with a GCSF drug, namely Neupogen, which stimulates the production and release of stem cells from the bone marrow. This mobilization process requires approximately five (5) days for the donor to produce sufficient quantities of stem cells for harvesting and future therapeutic use.

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When there is an optimal quantity of stem cells circulating in the donor's bloodstream, the stem cells are harvested by transiting the donor's blood through an apheresis machine. This procedure, which takes approximately four (4) hours, separates the white blood cells and stem cells and returns the remaining blood components to the donor. The separated stem cells are collected into a bag and sent to StemLife's laboratory for processing, testing and cryo-preservation.

Benefits

The process of harvesting PBSC is less invasive to donors compared with the traditional bone marrow extraction which causes a higher level of pain and discomfort to the donor and requires a skilled medical professional to extract the bone marrow during surgery while also providing less assurance that the necessary quantity of stem cells are available for extraction. Our PBSC harvesting process is similar to a conventional dialysis treatment and thereby less taxing on the donor. As a result, PBSC harvesting is a more sustainable procedure as it may be performed repeatedly compared to bone marrow extraction. In addition, the quantity of stem cells collected from PBSC harvesting is much greater than that from bone marrow or UCB.

Storing of PBSC is especially necessary in situations where future use of the stem cells would be urgent, for example in cases of heart disease/failure, or aggressive chemotherapy for cancers. Our PBSC Banking service provides customers with the opportunity to store PBSC for immediate use or cryo-preserve for possible future use.

Target Market

The target market for PBSC Banking is large and encompasses most individuals. However, the main drivers for demand are increased awareness among medical specialists and patients regarding the applications of stem cell therapy for conditions such as heart disease, diabetic foot ulcer and cancer. The target market for PBSC Banking can be categorised as follows:

- Individuals diagnosed with a disease treatable with stem cell;
- Individuals with a family history of diseases established to be treatable with stem cells; and
- Individuals who are aware of the potential benefits of stem cell therapies and seek to undertake PBSC Banking as a biological insurance.

The reception for PBSC Banking has been very positive with 25 samples received in 2005. According to Frost & Sullivan, the size of the PBSC Banking market is expected to grow to RM7.05 million in 2010 where 331 samples are expected to be collected.

6.2.3 Stem Cells Therapies and Consultancy Services

Description

In addition to UCBSC and PBSC Banking, we also offer consultation on stem cell therapies. This consultative service involves StemLife providing advice to individuals diagnosed with diseases that are potentially treatable with stem cell transplants. We also keep track of the medical specialists who are able to perform these procedures and refer the patients accordingly.

Further, we develop transplant protocols for various therapeutic applications jointly with the specialists. However, the expertise involved in the stem cell preparation for the therapies resides with StemLife.

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Benefits

Currently, stem cells are used to treat some of the world's most prevalent conditions including cancer and cardiovascular diseases. While there are presently over 72 diseases that are treatable with stem cell therapy, further advances are continuing to be made on a daily basis strengthened by on-going trials globally for the application of stem cells to treat conditions such as diabetic ulcers and autoimmune diseases. By making this service available locally, the Malaysian public can now have access to these transplant procedures at affordable costs and not have to travel overseas.

The following table outlines some diseases currently treatable with stem cells and how stem cells may be used to treat these diseases:

Disease/Condition	Global Prevalence in 2005 [^]	Stem Cell Therapy
Cardiovascular Disease	147,000,000	Stem cell transplants used in conjunction with traditional treatments for heart conditions including stents, by-pass and angioplasty. Transplanted stem cells strengthen existing blood supply to the high dependency muscular tissue and are taught to engraft; improving the heart's ejection fraction which allows better pumping activity.
Cancer	*	Stem cell transplants are used to replace or restore bone marrow function to its original form and results in the replenishment of a functioning immune system.
Thalassaemia Major	*	Genetically defective bone marrow stem cells produce faulty red blood cells which are unable to carry oxygen efficiently to the body's tissues, resulting in anemia and poor physical development. Patients have to undergo frequent blood transfusions and drug administration. Stem cell transplants replace defective bone marrow with healthy normal cells resulting in a curative effect of the disease.
Limb Ischemia/ Diabetic Foot Ulcer	500,000,000	Stem cell transplants help alleviate the limb ischemia condition through increasing blood perfusion rates and revascularisation through regeneration of damaged arteries.

Note:

[^] Source: Frost & Sullivan

* Information unavailable. However, according to Frost & Sullivan, global incidence of cancer and thalassaemia major in 2005 was 11,000,000 and 65,000 respectively.

Prevalence is the number of people who are found to be with a disease at a certain point in time without considering when they first got the disease.

Incidence is the figure showing the number of new cases of a disease that occurred in a population during a specified interval of time usually a year.

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Target Market

The target market comprises individuals suffering from stem cell treatable diseases and knowledgeable medical specialists. Where we consult on a stem cell transplant and the recipient does not have any stored stem cells, we will perform the PBSC harvesting. Alternatively, existing customers who have banked their stem cells may require the use of their stored stem cells and consult us for advice on stem cell transplants. In either of these scenarios and assuming a stem cell transplant will occur, our expertise is required for the preparation of the stem cells. Errors in the preparation of the stem cells may reduce the effectiveness of any stem cell transplant. As such, the medical specialists and transplant recipients may draw comfort from our experience and track record in stem cell preparation.

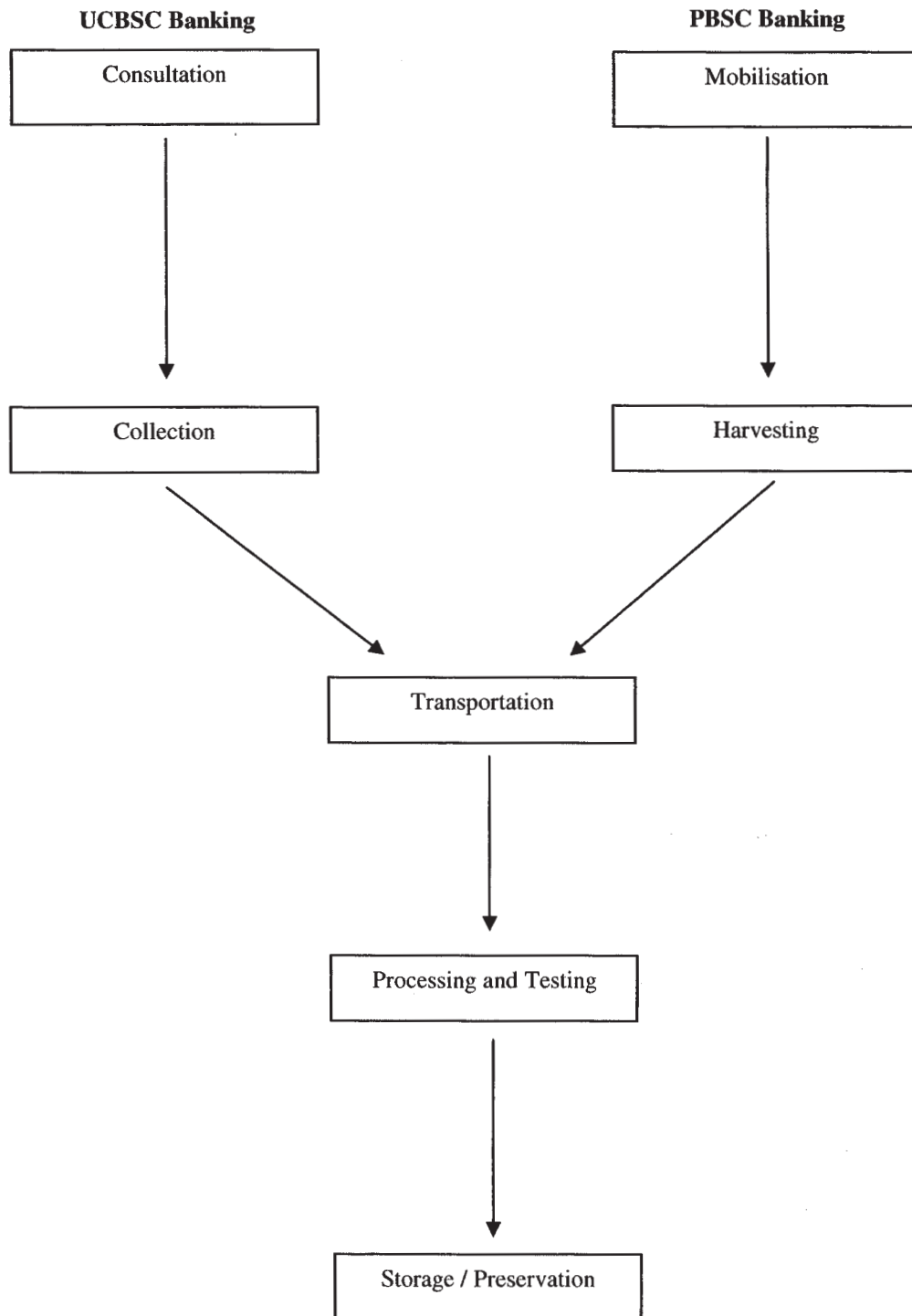
In addition, medical specialists not previously involved in a stem cell transplant may also consult us for our expertise. Currently, we focus on patients with heart problems, diabetic foot ulcers and cancer. In addition, people with a family history of these diseases are also potential targets.

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6.3 BUSINESS PROCESS

Our operational flow of stem cell banking services can be summarised as follows:



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UCBSC Banking Process Flow

Consultation: The process begins with consultation with our experienced and qualified personnel to identify and accordingly meet the requirements of our clients. Upon signing up UCBSC Banking customers will be supplied with a blood collection kit.

Collection: Collection of the UCB will occur at the hospital and after delivery of the newborn baby. This provides a non-intrusive collection without affecting the care for the mother or the newborn baby. The blood collection system also reduces the risk of contamination of the UCB.

Transportation: All blood samples will be transported to our state-of-the-art processing and cryo-preservation laboratories. We will oversee the logistics of transporting the collected samples to our laboratories and ensure that each sample is handled with the highest level of care. All samples will reach the laboratories within thirty-six (36) hours.

Processing and testing: Upon arrival of the samples at our laboratories, the samples will be uniquely coded and processed. The blood sample is depleted of the red blood cells and the volume of plasma is reduced. The resulting purified samples consisting mainly of stem cells will then undergo sterility testing and screening for infectious diseases such as Human Immunodeficiency Virus (HIV), Hepatitis and Syphilis.

Storage/Preservation: After processing, the samples are sealed in a Teflon overwrap bag to further secure the sample. Thereafter, the samples are gradually frozen in a controlled rate freezer to lower the temperature of the samples to minus 180°C prior to storage at minus 196°C in liquid nitrogen tanks.

PBSC Banking Process Flow

Mobilisation: PBSC Banking customers will be injected with doses of growth stimulating agents to increase the number of stem cells circulating in the blood prior to harvesting.

Harvesting: The harvesting involves the extraction of the donor's blood through an apheresis machine and stem cells are separated from the rest of the blood which is then returned to the donor in one continuous process.

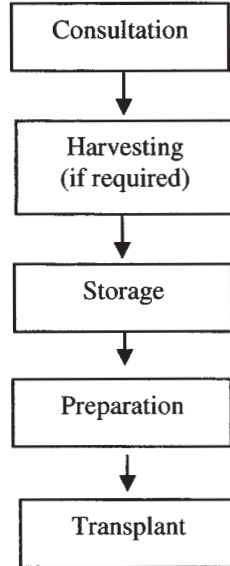
The "transportation", "processing and testing" and "storage/preservation" processes for PBSC Banking are similar to that of UCBSC Banking as detailed above.

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Stem Cell Therapies and Consultancy Services

The operational flow of our stem cell therapies and consultancy services can be summarised as follows:



Consultation: We will discuss individual cases with medical specialists to plan for stem cell transplants.

Harvesting: Where the transplant recipient does not have any stored stem cells for the stem cell transplant, we will conduct the harvesting of the stem cells approximately one (1) week prior to the date of the transplant. This will allow the transplant recipient's system to return to equilibrium in time for the stem cell transplant.

Storage: The samples are gradually frozen in a controlled rate freezer to lower the temperature of the samples to minus 180°C prior to storage at minus 196°C in liquid nitrogen tanks. The samples are then stored until required for transplant.

Preparation: Immediately prior to the stem cell transplant, we will remove the samples from storage and carefully prepare the cells so that they are optimised for each type of stem cell therapy.

Transplant: Once the stem cells are ready for transplant, the medical specialist will introduce the prepared stem cells into the recipient with the aid of our representative, who is present at every transplant.

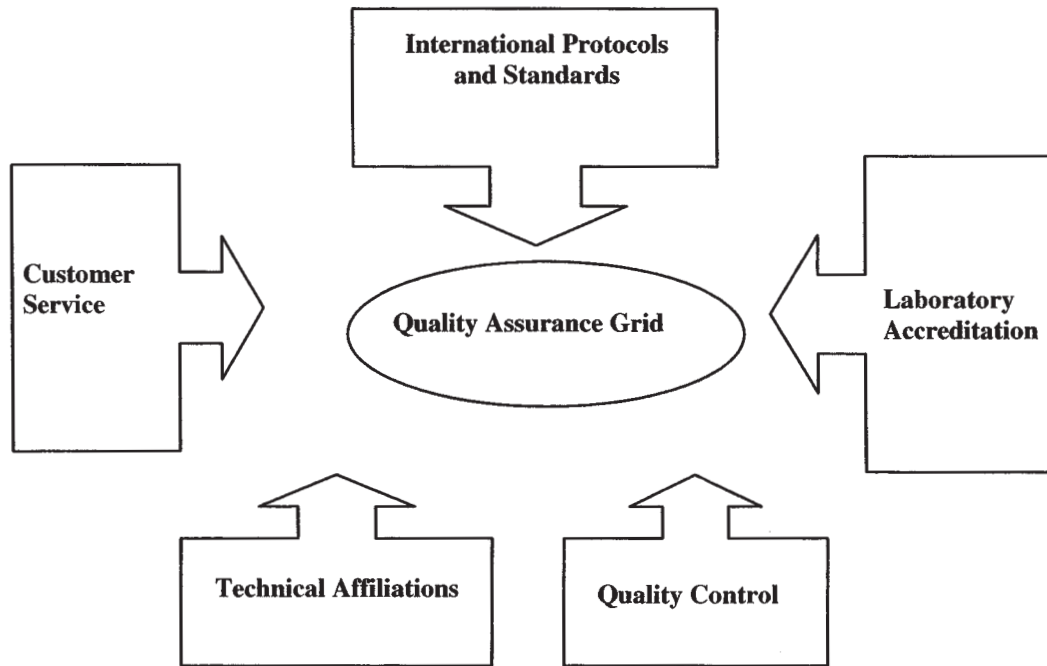
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6.4 QUALITY ASSURANCE

Due to the nature of our business and the importance of the samples we handle, we ensure the highest quality in our processes and services. We have the following quality control processes and/or infrastructure in place to ensure maintenance of quality in our services:

Quality Assurance Grid



6.4.1 Technical Affiliations

International Advisory Panel and Medical Advisory Panel

We have an independent International Advisory Panel and Medical Advisory Panel comprising renowned medical specialists and doctors. The functions of the International Advisory Panel and Medical Advisory Panel are to provide a forum for us to exchange views on current and developing issues relating to the stem cell industry by building upon the knowledge of the panel members and our experience. These include independent expert reviews and advice on future stem cell therapies.

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Member of Asian Cord Blood Banks Consortium

We are one of the founding members of the ACBBC, which was set-up in 2004. Membership is currently restricted to the first and leading stem cell bank from each participating country and the current members are from Taiwan, Korea, Japan, Hong Kong, Singapore, Malaysia, Thailand and Australia. Membership to the ACBBC is through invitation.

The main objective of the ACBBC is to build and share expertise and technology know-how between the stem cell banks who are market leaders in their respective domestic markets. We were nominated to chair the consortium for 2006 and have recently hosted the annual forum which saw the senior management of these leading stem cell banks come to Malaysia for an industry conference to discuss standards and exchange ideas regarding procedures that will benefit all industry players. The ACBBC serves as a platform for the management of its member stem cell banks to interact and exchange information, creating a regional network of experts, with each member having access to another.

6.4.2 Quality Control

Review by Chief Medical Officer

For every sample that is processed at our laboratory, a report is produced which contains information on the quality and the viability of the stem cells. Each report is reviewed by our Chief Medical Officer, Dr Aw Tar Choon, as a quality check to ensure that all the necessary processing and testing has been undertaken.

Regular Checks and Maintenance

Standard laboratory checks of all equipment are performed on a daily basis. We regularly service and calibrate our electronic equipment. Cell counting and test results are also validated by an external accreditation body, CAP to ensure that our equipment and technical skills are on par with international standards. The liquid nitrogen tanks are monitored twenty-four (24) hours every day.

6.4.3 International Protocols and Standards

International Blood Processing Protocol

Our UCB processing protocol are in accordance with international recommendations such as those by the American Association of Blood Banks which is an international, professional, voluntary standard-setting association of blood banks, and the New York Cord Blood Bank.

Medical Waste Disposal

We dispose our medical waste through Pantai Medivest Sdn Bhd, a provider of bio-waste disposal in Malaysia. Pantai Medivest Sdn Bhd services a large majority of hospitals in Malaysia and has thus far provided us with an efficient and environmental-friendly waste management solution.

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6.4.4 Laboratory Accreditation

CAP Accreditation

We have registered with the CAP for our external quality assurance program since 2003. The aim of this is to maintain and improve the quality of our laboratory services through voluntary participation, professional peer review, education, and compliance with well established performance standards. Currently, we are in the final stage of the CAP accreditation process. Attainment of the CAP recognition will mean that we will be one of the few laboratories in this region that have met the highest standards of excellence for laboratory testing and processing.

Internationally Accepted Equipments and Materials

The laboratory and processing equipments and materials are mainly imported from the US or Europe and are either approved by the US FDA or accredited with the CE mark (which is a manufacturer's declaration that the product complies with the essential requirements of the relevant European health, safety and environmental protection legislations). The multi-compartment storage bag used for storage of the UCBSC and PBSC cryo-bags are also US FDA approved.

6.4.5 Customer Service

36 Hours Processing

Our laboratories operate twenty-four (24) hours, seven (7) days a week. This enables us to process and store any sample immediately upon receipt. The objective of this is to ensure maximum recovery of stem cells from the UCB or PB collected as cells become vulnerable without the fluid and nutrient support of the human body and are susceptible to cell death after forty-eight (48) hours. On this basis, StemLife is able to advocate a rule of processing all samples within thirty-six (36) hours from the time of collection of the sample.

Customer Education

While we believe that maintaining the highest operational quality standards is paramount, we also believe that an informed customer base is important. We publish a quarterly newsletter, "REGENERATION" to inform and update our customers on the rapidly changing advances in stem cell medicine and therapies.

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6.5 ACHIEVEMENTS

6.5.1 Medical Achievements

As the first private stem cell bank in Malaysia, we have maintained our dominant market share. With our experience in stem cell therapy applications, we believe that we have developed a strong reputation as a one-stop stem cell service provider. This reputation has been continuously strengthened by our achievements in the following stem cell therapies up to the Latest Practicable Date:

Transplant	Medical condition treated	Source of stem cells / Transplantation mode	Institution for stem cell transplant
2004	Leukemia	UCB/ Allogenic	General Hospital Kuala Lumpur
	Lymphoma	PB/ Autologous	Gleneagles Medical Centre Penang ("GMCP")
	Lymphoma	PB/ Autologous	GMCP
2005	Diabetic foot ulcer	PB/ Autologous	GIMC
	Diabetic foot ulcer	PB/ Autologous	GIMC
	Heart disease	PB/ Autologous	HSC
	Heart disease	PB/ Autologous	HSC
	Lymphoma	PB/ Autologous	GMCP
	Lymphoma	PB/ Autologous	GMCP
2006	Heart disease	PB/ Autologous	HSC
	Heart disease	PB/ Autologous	Subang Jaya Medical Centre
	Heart disease	PB/ Autologous	GIMC
	Thalassaemia major	UCB/ Allogenic	University Hospital
	Leukemia	PB/ Allogenic	GMCP
	Heart disease	PB/ Autologous	HSC
	Lymphoma	PB/ Autologous	GMCP
	Leukemia	PB/ Autologous	GMCP
	Diabetic foot ulcer	PB/ Autologous	GIMC
Leukemia	PB/ Allogenic	GMCP	

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All the stem cell units released by us for the treatment of blood cancer/blood diseases have engrafted successfully.

Worldwide, over 700 patients have been reported in the medical literature using stem cell for cardiac treatment. We have pioneered this treatment in Malaysia for six (6) patients. These patients with heart disease have improved with stem cell therapies.

Stem cells restore circulation and heal diabetic foot ulcer and avoid the need for amputation. Worldwide, there are over 150 cases of diabetic foot ulcer that have been successfully treated using stem cells as described in the medical journals. We have taken the lead to successfully use this treatment in three (3) such cases in Malaysia.

The success of these stem cell treatments testifies to the viability of the stored stem cells and veracity of our processes. A key factor in our success is the ability to adapt and adopt new practices in the dynamic field of stem cell medicine through staying on top of the literature, wide networking and partnering with skilled medical practitioners.

6.5.2 Business Achievements

Since our inception, we have achieved the following milestones as detailed below:

Date	Milestones
January 2002	First UCB sample processed and stored
March 2002	Granted MSC status by the MDC
May 2002	<ul style="list-style-type: none"> ➤ Granted Pioneer Status under the Promotion of Investments Act 1986 by the Ministry of International Trade and Industries (MITI) ➤ Official launch of StemLife's Laboratory at Centre for Health, Innovation & Medical Enterprise, Cyberjaya
March 2003	First overseas UCBSC sample
April 2003	First PBSC collection
May 2004	First 1,000 UCBSC samples collected, processed, tested and stored
December 2004	2,000 cumulative UCBSC samples processed and stored
January 2005	First PBSC sample harvested, processed, tested and stored
March 2005	<ul style="list-style-type: none"> ➤ Commencement of PBSC banking ➤ Set-up marketing office in Indonesia
April 2005	Incorporation of Thai StemLife
July 2006	7,500 cumulative UCBSC samples processed and stored

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6.6 BUSINESS COLLABORATIONS

In our continuous effort to expand our business, we have signed the following agreements and MoU in Malaysia and Thailand:

6.6.1 Thai StemLife

We entered into a joint venture with Superior Biotech Ltd and Jetanin Co. Ltd in April 2005 to form Thai StemLife in which we have 40% equity interest. This collaboration allows us to tap into our partners' resources and experience in the medical biotechnology and medical care to jointly promote stem cell banking in Thailand.

Thai StemLife is currently the only private stem cell bank in Thailand to provide UCBSC Banking, PBSC Banking and stem cell therapies and consultancy services.

The set-up of Thai StemLife operations is based on our operational model, from sales and marketing to laboratory processes while Thai StemLife also uses equipments and consumables that are similar to those used by us. With the adoption of our standard operating procedures and standardised equipments, Thai StemLife is in a better position to benefit from the transfer of knowledge from us.

6.6.2 HSC

In April 2006, we entered into a strategic tie-up with HSC, a leading private medical centre for heart treatment whereby both HSC and us invested in each other in the following manner:

- On 7 April 2006, we subscribed for 6,452,000 new ordinary shares of RM0.10 each in HSC representing 6.86% equity interest in HSC as at the date of this Prospectus; and
- On 7 April 2006, HSC subscribed for 30,000,000 new StemLife Shares and further subscribed for 4,000,000 new StemLife Shares on 26 April 2006 representing 27.2% equity interest in StemLife as at the date of this Prospectus.

The rationale for both the subscription shares is to assist in the promotion and further development and enhancement of each other's business.

The businesses of both companies would complement each other as HSC refers its patients to us, where appropriate, for PBSC transplants to enhance the medical treatment provided by HSC. On the other hand, we may also refer our clients, who are seeking stem cell transplants and consultancy services, to HSC for complementary medical treatments. Currently, we run and maintain an apheresis machine situated in HSC Medical Centre for the convenience of HSC's patients seeking our PBSC services.

To-date, this strategic alliance with HSC has resulted in six (6) stem cell heart transplants being carried out with five (5) cases showing positive results and one (1) case being followed-up. With a high prevalence of heart disease in the country, we feel that this augurs well for the Company and the patients, who would otherwise have to seek such treatment overseas.

6.6.3 Gleneagles Hospital (Kuala Lumpur) Sdn Bhd and HSC

In May 2006, we entered into a MoU with Gleneagles Hospital (Kuala Lumpur) Sdn Bhd and HSC to set up the 'Kuala Lumpur Stem Cell Resource and Therapy Centre' in GIMC. The centre will provide us with an avenue to create and promote public awareness of the benefits of using stem cells in therapies and the availability of UCBSC and PBSC Banking services in Malaysia.

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6.7 ADVISORY PANELS

Members of StemLife's advisory panels provide medical input, on a voluntary basis, to assist in policy making and analysis for the Company to assume our role as Malaysia's leading-edge life science company in the stem cell industry. The members will also assist in fostering interactions among Malaysian and international scientists, offer suggestions to improve StemLife's services and where possible, promote StemLife's mission and services to members of the profession.

6.7.1 International Advisory Panel

The profiles of our distinguished international advisory panel members are as follows:

Dr Frederick L Kiechle

Dr Kiechle graduated in Chemistry from the Evansville College, US in 1968 and went on to obtain his PhD in Biochemistry in Indiana University, US in 1973. He has vast experience in the medical sector, having served amongst others as the Medical Director of the Beaumont Reference Laboratory, US and Chairman of the Department of Clinical Pathology, William Beaumont Hospital, US. Dr Kiechle is currently the Adjunct Professor of the Medical Laboratory Services Program, Oakland University and Clinical Associate Professor, Department of Pathology, Wayne State University School of Medicine.

Dr Kiechle is also a member of the American Society of Clinical Pathologists and sits on several of its committees.

Dr Teck Ling

Dr Ling has over 14 years of safety and clinical research experience in the development of healthcare products. She graduated in Chemistry from the University of Malaya in 1974 and proceeded to obtain her PhD in Pharmaceutical Chemistry in the University of California, San Francisco in 1979. There, she was awarded the University of California Regents Fellowship. Thereafter, she worked in the pharmaceutical industry; investigating drug metabolism at Syntex for eight (8) years. She then completed her Doctor of Medicine at the University of Miami in 1989 and spent four (4) years of residency in Internal Medicine at Kaiser Permanente, Sante Clara. She served as the Associate Medical Director at Alza Corporation and was appointed the Senior Director for Pharmacovigilance and Medical Information at Intermune Pharmaceuticals. She has since become an independent consultant in her own capacity.

Professor Seeram Ramakrishna

Prof. Ramakrishna is the Dean of NUS Faculty of Engineering, one of the largest research-intensive engineering schools around the world, and serves on various regional and international alliances to promote engineering education and cooperation. He is the scientific advisor to Biomers, a start-up company that specialises in biocomposites for orthodontics, dentistry and orthopaedic areas, and also serves as an advisor to Bankinter Foundation of Innovation, Spain. Prof. Ramakrishna is a board member of Defence Science & Technology Agency (DSTA), Ministry of Defence, Temasek Polytechnic, Singapore, Australian National University Engineering School and more than ten (10) research centers and institutes.

Prof. Ramakrishna serves on the editorial boards of ten (10) international journals and has published extensively across a broad range of areas, including biocomposites, tissue engineering, electrospinning, nanofibers and membranes. He is a Fellow of Institution of Mechanical Engineers (FIMechE), UK; Institution of Engineers Singapore (FIES); Institute of Materials, Minerals & Mining (FIMMM), UK; and American Institute for Medical and Biological Engineering (FAIMBE), US.

6. BUSINESS (Cont'd)

Dr Patrick Tan

Dr Tan graduated with a MBBS degree from the University of Singapore in 1980 and obtained his Masters of Medicine (Internal Medicine) from NUS in 1986. He has vast experience in the medical sector and held various positions with the Tan Tock Seng Hospital, Singapore General Hospital and Toa Payoh Hospital from 1980 to 1988. He also served as Fellow to the Fred Hutchinson Cancer Research Centre in 1988, Special Fellow to Haematology Department, Cleveland Clinic Foundation in 1989 and Faculty Member of Transplant Immunology, Fred Hutchinson Cancer Research Centre in 1992.

Dr Tan has written numerous publications in medical journals and books in Singapore and overseas. He is a member of various medical societies, including the American Society of Haematology and Blood and Marrow Stem Cell Society. Dr Tan has also been involved in various stem cell research programmes.

Professor Rajalingam Sinniah

Prof. Sinniah received his medical education at the Trinity College, Dublin. After his specialist training in internal medicine, he underwent further training in pathology and obtained his doctoral qualifications in iron metabolism and liver diseases. He was awarded a DSc from Queens University, Belfast for his published works on "Diseases of the Kidney and Liver". He then went on to join the teaching faculty of the Faculty of Medicine in Singapore where he rose to the rank of Professor.

In Singapore, Prof. Sinniah was the regional adviser to the Royal College of Physicians, Ireland and National Advisor to the Royal College of Pathologists, London. Prof. Sinniah is also the Founder and Past President of the Singapore Society of Pathology and Past President of the Asia Pacific Associations of Societies of Pathology. Currently, he is a Professor of Pathology at the University of Western Australia and Consultant Pathologist at the PathWest, Royal Perth Hospital, Australia.

6.7.2 Medical Advisory Panel

The profiles of our medical advisory panel members are as follows:

Professor Elizabeth George

Prof. George is currently a Professor of Haematology at the Universiti Putra Malaysia and a visiting consultant at the Institute of Medical Research and Assunta Hospital. She was previously Professor in Pathology at the Universiti Kebangsaan Malaysia. She obtained her medical degree at the University of Malaya and subsequently undergone specialist training at the University of London. She has specialist qualification in haematology from the Royal College of Pathologists (Australasia). Her specialisation in the field of thalassaemia has made her a widely published author. She was instrumental in setting up the haematological services at the Department of Pathology, Universiti Kebangsaan Malaysia in 1977 and has expertise in the clinical management of patients with thalassaemia and haemoglobinopathies. She has conducted extensive research studies to characterise thalassaemia in Malaysia and completed a doctoral dissertation on thalassaemia at NUS. Prof. George's current projects include the development and assessment of thalassaemia screening protocols and the screening of thalassaemia in UCB samples in Malaysia. She is also the invited Scientific Collaborator to the Thalassaemia International Federation (TIF).

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6. BUSINESS (Cont'd)

Dr Raja Abdul Malek bin Raja Jallaludin

Dr Raja Malek graduated from the University of Malaya and was a senior partner in one of the longest established group practices overseeing local and expatriate health in Malaysia, Drs. Caterall, Khoo, Raja Malek & Partners until 2003. He had been a clinical tutor at the Department of Anatomy in Universiti Kebangsaan Malaysia in the early days of his career. He held a part-time appointment as the Director of Medical Affairs at Parke-Davis/Warner-Lambert for Singapore-Malaysia for sixteen (16) years. With an active interest in corporate executive health and sports medicine, he had taken on active roles as Vice-President of the Malaysian Association of Sports Medicine, Chairman on the Medical Committee of the Asian Hockey Federation in Karachi, Pakistan and a member of the Medical Commission of the International Hockey Federation in Brussels, Belgium. He had acted as the FIH Medical Officer at the 12th Asian Games in Hiroshima, Japan and the 16th KL Commonwealth Games in Kuala Lumpur for Dope Control and was the Chairman of the Steering Committee for the formation of the Masters Programme in Sports Medicine and Rehabilitation in his alma mater. Dr Raja Malek's driving interest in local healthcare and its ethical issues has led him to be Chairman of the Council of the Academy of Family Physicians, Malaysia. He has also served on various peer bodies including the National Health Plan Committee, National Committee on Managed Care (Ethical) and the Ethical Committee of the Malaysian Medical Council in the Ministry of Health. He is presently the Director of Medical & Scientific Affairs for HOE Pharmaceutical Sdn Bhd.

Dr Selvaratnam a/l Govindaraju

Dr Selva trained at the University of Malaya and continued his specialist training in the UK. He is a specialist oncologist with more than ten (10) years of experience in radiation therapy, brachytherapy and medical oncology. As Scientific Research Director of the NCI Cancer Hospital, Dr Selva has been the catalyst for the extensive private cancer research program supported by several major multinational pharmaceutical companies. Dr Selva is also the Social Services Director of the National Cancer Society of Malaysia.

Professor Chan Lee Lee

Prof. Chan is a senior paediatric consultant in the Department of Paediatrics, University of Malaya. She is a practicing paediatric haematologist/oncologist with specialised training in the field of paediatric stem cell transplantation. She performed the first cord blood and PBSC transplants in Malaysia and has initiated the unrelated cord blood transplantation programme for paediatric patients. Prof. Chan is also president of Thalassaemia Society of University Hospital (THASUH) and past president of Malaysian Society CC of Paediatric Oncology (MASPO).

Dato Dr Harnam Singh a/l Mantha Singh

Dato Dr Harnam graduated with a MBBS degree from the University of Singapore and went on to do his post-graduate in the United Kingdom at Warwick Hospital and the Royal National Ear, Nose and Throat/Head and Neck Hospital, Gray Inn Road, London. He worked as Consultant Otolaryngologist until 1969 and in 1970, set up his own Ear, Nose and Throat Centre in Kuala Lumpur.

Dato Dr Harnam is a member of various medical bodies, including Founder Member of the Malaysian Society of Otorhinolaryngology and World Society of Otolaryngic Allergy. He has also written numerous articles for Anti-Aging Medical Therapeutics and other publications.

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6. BUSINESS (Cont'd)

6.8 RESEARCH INITIATIVES

We intend to continue to focus on increasing the numbers of established stem cell therapies for diseases such as heart disease, leukemia, thalassaemia major, cancer and diabetic foot ulcer, as well as to explore and be the first to consult on stem cell transplants for other types of diseases. Globally, active research is on-going for Alzheimer's disease, Parkinson's disease, bone and cartilage damage, and stroke. As further applications/uses of stem cells are discovered and the benefits of stem cell therapies becomes more widely known, we will be positioned to leverage on this heightened awareness and possible resultant demand for the preservation of stem cells.

The table below shows the expected launch of future services for the next two (2) years:

Year	Event
2007	Launch of stem cell applications for tendon and ligament injuries
2008	Launch of stem cell therapy for neurological conditions and cartilage damage

We maintain a focus on upstream stem cell research through collaborations with strong partners. Details of these collaborations are as follows:

National University of Singapore: On 25 July 2005, StemLife entered into a research fellowship agreement with the NUS Nanoscience and Nanotechnology Initiative to explore the uses of nanofibre technology for stem cell expansion and other applications. This agreement will enable StemLife to leverage on the NUS Nanoscience and Nanotechnology Initiative's knowledge and relevant materials, while guiding the scientists on the use of stem cells and the development of the research. Pursuant to the agreement, the intellectual property to be derived from the research shall belong to and be shared equally between NUS and StemLife.

Stem cell expansion represents great potential to address the shortage of stem cells available for transplantation and therapies. The success of this research collaboration would enable us to expand the collected stem cells and allow for additional applications from a single collection/harvest of stem cells i.e. allow individuals to exploit cellular therapy for more than one (1) condition.

Cryo Stemcell Karnataka Private Ltd: On 12 August 2005, we entered into a MoU with CSKPL, a leading stem cell bank in Bangalore, India to conduct research in stem cell biology, medicine and therapy for clinical applications, especially in regards to the use of specialised dendritic stem cells for cancer immunotherapy; improve treatment protocols for thalassaemia major, leukemia and bone marrow failure; and research into the possible use of PBSC for newer clinical applications, especially in the treatment of cardiac and vascular diseases, muscle, ligament and tendon damages and neurological conditions. In addition, StemLife and CSKPL will assist one another in establishing protocols and practices from their individual areas of expertise, allowing beneficial and practical knowledge sharing.

Currently, there has not been any outcome from the research collaborations. We also intend to collaborate with local universities to conduct research on applications for stem cells in the future.

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6. BUSINESS (Cont'd)

6.8.1 R&D Expenditure

Our R&D expenditure during the three (3) FYs ended 31 December 2003 to 2005 and for the six (6) months ended 30 June 2006 is as follows:

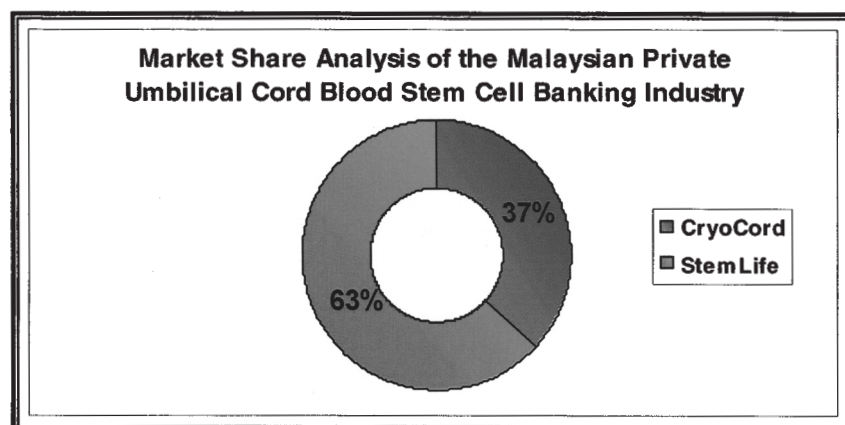
	<----- 31 December ----->			Six (6) months ended 30 June 2006
	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000
R&D expenditure	-	-	157	-
Total Group revenue	1,218	3,288	7,577	5,648
R&D expenditure as a percentage of Group revenue (%)	-	-	2	-

6.9 PRINCIPAL MARKETS AND MARKET SHARE

UCBSC Banking is available in all key towns/cities of Malaysia such as Kuala Lumpur, Subang Jaya, Johor Bahru, Penang, Melaka, Seremban, Ipoh, Kuantan, Kuching and Kota Kinabalu. Stem cell therapies and consultancy services are available throughout Malaysia. However, currently PBSC Banking is only available in Kuala Lumpur.

There are only two (2) private stem cell banks in Malaysia namely StemLife and Cryocord Sdn Bhd ("Cryocord"). Frost & Sullivan's competitive analysis shows that in 2005, StemLife enjoys 100% market share in the PBSC Banking sector as it is currently the only player offering the services. The Company also leads the UCBSC Banking sector with 63% market share in 2005 followed by Cryocord with 37%.

Market Share Analysis of the Malaysian Private UCBSC Banking Industry



(Source: Frost & Sullivan)

We are the only company that provides PBSC harvesting and cryo-preservation and to the best of our knowledge, we are the only company that actively consults on and has been involved in the successful completion of stem cell therapies using both UCBSC and PBSC within the South East Asian region.

6. BUSINESS (Cont'd)

6.10 COMPETITIVE ADVANTAGES

We believe that we have the following competitive advantages:

Pioneer and market leader for Private Stem Cell Banking and Stem Cell Therapies in Malaysia: We are the first private stem cell bank incorporated in Malaysia and during the past four (4) years of operations, we have consistently brought pioneering services to the market, firstly with our UCBCS Banking in 2002, secondly with our stem cell applications consultancy in 2004 and followed by PBSC Banking in 2005. As part of the roll-out of these services, we have established rapport with an extensive network of medical practitioners and created awareness of and demand for stem cell related services amongst the public. According to Frost & Sullivan, StemLife is Malaysia's leading private stem cell bank commanding a 63% market share of the private UCBCS Banking industry, and is the only private stem cell bank providing PBSC services and stem cell applications consultancy. The Company is recognised by clients, hospitals and medical specialists for our professionalism and dedication to the industry.

Stem cell preparation and stem cell therapies: We have proven expertise in preparing stem cells for stem cell transplants. To-date, we have advised medical specialists and jointly developed protocols for carrying out both allogenic and autologous stem cell transplants using UCBCS and PBSC for patients suffering from leukemia, thalassaemia major and lymphoma. We have developed our own unique methodologies and techniques that allow us to prepare stem cells in such a manner that the stem cell environment is optimised for each type of stem cell treatment especially for diabetic foot ulcers and heart disease. As the only provider with this specialised knowledge, we are positioned to continue to lead stem cell therapy in the nation. The success of these transplants coupled with the fact that they were all new therapies in the Malaysian market, places us as a leading proponent of stem cell therapeutic applications in the South East Asia region.

World class laboratory and cryogenics facility: We operate our cryo-preservation, processing and testing facility at our laboratories in Cyberjaya and Kuala Lumpur. We have successfully completed CAP's external quality assurance programmes for the past two (2) consecutive years, a pre-requisite to accreditation and is currently in the final phase of preparation for the CAP laboratory accreditation. Upon successful completion of an on-site inspection, the laboratories will be awarded the coveted CAP accreditation certification and become part of an exclusive group of the few accredited laboratories in Asia Pacific.

Large customer base: Since our inception, we have built a customer base of over 7,500 customers for our stem cell banking services. This is Malaysia's largest stem cell storage facility. In terms of samples size, if taken into comparison with the European consortium - Netcord, we rank within the top ten (10) banks in Netcord. Having achieved this large base of customers, we will benefit from a continuous revenue stream into the future. This sustainable income will provide the Company with the financial resources to further develop our services.

Collaboration agreements: We have agreements with hospitals throughout the nation for the collection of UCBCS. These agreements serve to formalise beneficial relationships between StemLife and these hospitals and further strengthen ties between these parties following our active involvement with the hospital staff through providing training and/or assistance. The agreements will also facilitate our marketing strategy by allowing us to participate in ante-natal classes and to display marketing information at our collaboration hospitals. In addition, stem cell services will be promoted by the hospitals with StemLife being promoted as the preferred stem cell company. These efforts will foster better relationships and strengthen our advantage as the leading stem cell company in Malaysia.

6. BUSINESS (Cont'd)

Certified Personnel: In line with our reputation as a private stem cell company with a range of stem cell related services, we are ready to provide additional logistical support to their clients. The International Air Transport Association (“IATA”) requires that the sample be air-flown in an approved transportation device accompanied by an IATA certified personnel when clients require their stem cells to be shipped overseas for a stem cell transplant. We have the necessary equipment and personnel to facilitate the shipment.

Endorsement by peers: By upholding quality standards and displaying strong medical knowledge and capability, we have received recognition by members of the stem cell industry, medical fraternity and educational institutions. We are one of the founding members of the ACBBC and will chair the consortium this year while also hosting the upcoming conference that will bring the region’s leading cord blood banks to Malaysia. We co-sponsored the Cord Blood Transplantation Conference held in Singapore held this year which was also attended by members from the John Hopkins Hospital, US and the world’s first cord blood stem cell transplant physician, Dr Elaine Gluckman. Members of StemLife’s key management have given talks at local universities as well as in the US and India. In addition, the Company has also been invited to be present at several fairs organised by the local universities.

6.11 SALES, MARKETING CHANNELS AND MAJOR CUSTOMERS

6.11.1 Sales and Marketing Channels

Our marketing activities are overseen by the Director of Operations, Sales and Logistics who is supported by a team of forty-six (46) sales and marketing staff, of which nine (9) are knowledge staff.

The Company’s marketing strategy comprises the following objectives and methods:

Objectives	Process
1 Create/ increase awareness of stem cells and stem cell therapies	<ul style="list-style-type: none"> • Continuing medical education • Ante-natal talk • Hospitals in-service talk • Public and private forums • Advertisement • StemLife’s newsletter, “REGENERATION” • Corporate website • Referral programme
2 Develop sales network and collaborations with the medical fraternity	<ul style="list-style-type: none"> • Formal tie-up with hospitals and doctors • Tie-up with specialist doctors for established stem cell therapies
3 Promote and/or develop new stem cell therapeutic applications	<ul style="list-style-type: none"> • Tie-up with specialist doctors

The above objectives are aimed at creating a singular and strong brand “StemLife” and are targeted towards generating greater awareness of stem cells, StemLife and our services amongst individuals, non-governmental organisations, private institutions and hospitals.

Through this marketing approach, we create awareness prior to the need for stem cell therapy or stem cell banking. This is evidenced by our signing up 90% of our UCBSC Banking customers at least thirty (30) days prior to delivery.

6. BUSINESS (Cont'd)

6.11.2 Major Customers

There is no one customer who contributed more than 10% of the total revenue for the past three (3) FYs ended 31 December 2005 and for the six (6) months ended 30 June 2006 as our customers consist of individuals.

We actively foster and maintain good relationships with all existing customers with feedback from these customers assisting us in understanding and addressing their concerns as well as aid in indirect marketing through referrals from these existing customers.

6.12 TYPES, SOURCES, AVAILABILITY OF SUPPLIES AND MAJOR SUPPLIERS

6.12.1 Type, Source and Availability of Supplies

The majority of our consumables are sourced from local suppliers who in turn mainly import the consumables. In general, the prices of the consumables used have remained relatively stable over the past three (3) FYs ended 31 December 2005 and six (6) months ended 30 June 2006 and are available on short notice from the suppliers. The following is a list of our main consumables for the six (6) months ended 30 June 2006:

Consumables

- Sterility testing kits
- Processing sets
- Pathology testing kits
- Cryo-preserved
- Cryogenic bags
- Liquid nitrogen
- Collection bags
- Other minor laboratory consumables

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6. BUSINESS (Cont'd)

6.12.2 Major Suppliers

Our suppliers who accounted for more than 10% of the total purchases based on total purchases for the three (3) FYs ended 31 December 2005 and the six (6) months ended 30 June 2006 are as follows:

Name of Supplier	Country	Type of supplies/services purchased	Purchase Contribution			Length of Relationship Years
			FY ended 31 December 2003 %	FY ended 31 December 2004 %	FY ended 31 December 2005 %	
BMS Diagnostics (M) Sdn Bhd	Malaysia	Cryogenic bags and sterility testing kits	35	48	50	43 More than three (3)
Bio-Rad Laboratories Singapore Pte Ltd	Singapore	Pathology testing kit	-	-	18	13 More than one (1)
Gribbles Pathology (Malaysia) Sdn Bhd	Malaysia	Pathology testing services	35	10	1	1 More than three (3)
Biomarketing Services (M) Sdn Bhd	Malaysia	Pathology testing kit	-	-	-	15 Less than one (1)

Even though our top four (4) suppliers accounted for approximately 72% of total purchases for the FP ended 30 June 2006, we are not dependent on them for supplies as there are other suppliers who can provide similar supplies at short notice.

6. BUSINESS (Cont'd)

6.13 OPERATIONS

6.13.1 Location and Facilities

The location of our operations and principal places of business are as follows:

Function	Address
Malaysia Headquarters	B-7-15, Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur
Laboratories <i>(Processing, testing and storage of stem cells)</i>	Ground Floor Centre for Health, Innovation & Medical Enterprise Block 3440 Jalan Teknokrat 3 63000 Cyberjaya B-0-14 & B-1-14, Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur
PBSC Offices <i>(Sales, marketing and harvesting of PBSC)</i>	Unit 6.03 Wisma Perintis Jalan Dungun Damansara Heights 50490 Kuala Lumpur Room 36, HSC Medical Center Lot 3.6 PNB Darby Park 10 Jalan Binjai 50450 Kuala Lumpur
Sales And Marketing Offices: - Subang - Penang - Johor - Ipoh	1st Floor, 8 Jalan 9/1G Bandar Sunway 46150 Petaling Jaya 1-4-7 Jalan Pierce Desa Bunga 10350 Penang 126 Jalan Sri Pelangi Taman Pelangi 80400 Johor Bahru Unit E-G-1, Regency Terrace Condo Off Jalan Raja Hilir 30350 Ipoh

6. BUSINESS (Cont'd)

Function	Address
- Kuantan	No. 1, Lorong Galing 9 Jalan Air Putih 25300 Kuantan
- Kota Kinabalu	Lot 39, 1st Floor, Lorong Ruang Pokok Kayu Manis 1 Block D, Damai Plaza Phase IV 88300 Kota Kinabalu
- Kuching	Tingkat 1, Parcel P4-1-3 (D) Jalan Tabuan, Choy Lin Park 93200 Kuching
Indonesia <i>(Representative office)</i>	Ruko ITC Permata Hijau Blok Ruby 7 Jl Arteri Permata Hijau Kebayoran Lama Jakarta Selatan 12210 Indonesia
Thailand <i>(Sales and marketing, and processing, testing and storage of UCBSC and PBSC)</i>	Thai StemLife Company Limited 23 rd Floor, The Office at Central World 999/9 Rama 1 Road Patuman Bangkok 10330 Thailand

Our laboratories, which conducts all processing, testing and storage of samples, operates twenty-four (24) hours a day, seven (7) days a week to ensure that all samples are processed within thirty-six (36) hours of collection. Our laboratories are equipped with the following equipment:

Equipment	Purpose / Functions
Cryo-preservation tanks	<ul style="list-style-type: none"> • Cryo-preservation of stem cell samples • Shipping of stem cell samples to transplant centre
Scientific refrigerator and freezer	Controlled freezing down of stem cell samples and storage of consumables and other items
High speed centrifuge machine	Isolation and separation of stem cells
Cell counter	Cell counting and to determine number of stem cells
Bio-safety cabinet	Positive pressure and sterile environment for processing of samples
Infectious disease analyser	Conducting infectious disease tests
Automated microbiological analyser	Conducting contamination tests

6. BUSINESS (Cont'd)

Equipment	Purpose / Functions
Clinical resolution microscope	To determine the viability and morphology of stem cells
Temperature controlled incubator	Culturing of cells
Temperature controlled water bath	To thaw stem cell samples before transplantation
Laboratory grade water purifier	Purify water
Uninterrupted power supply (UPS)	Back-up power supply for equipments

6.13.2 Employees

As at the Latest Practicable Date, we have seventy-eight (78) employees in the following capacities:

Category	Years of employment			Total no. of staff	%
	Less than 1 year	1 to 3 years	More than 3 years		
Management	1	3	3	7	9.0
- Knowledge-based	-	2	2	4	
- Non-knowledge based	1	1	1	3	
Technical	9	-	1	10	12.8
- Knowledge-based	9	-	1	10	
- Non-knowledge based	-	-	-	-	
Sales and Marketing	25	18	3	46	59.0
- Knowledge-based	6	1	2	9	
- Non-knowledge based	19	17	1	37	
Finance and Administration	6	8	1	15	19.2
- Knowledge-based	-	-	-	-	
- Non-knowledge based	6	8	1	15	
Total	41	29	8	78	100.0

None of our employees belong to any labour union and Management enjoys cordial relationships with our employees. There have been no labour or industrial disputes between our employees and Management.

All of our laboratory staff undertake four (4) weeks of intensive on-the-job training prior to taking a final examination, while all sales and marketing staff undertake one (1) week sales training before their on-the-job training where a supervisor will oversee them and their progress. We also provide our senior staff opportunities to keep the staff updated on relevant advancements.

6.13.3 Exceptional Factors and Disruptions to Operations

For the twelve (12) months preceding the date of this Prospectus, there have been no disruptions to our operations.

Save for the risk factors highlighted in Section 4 of this Prospectus, we do not foresee any exceptional factors which may affect our business.

6. BUSINESS (Cont'd)

6.14 MAJOR APPROVALS, LICENCES AND PERMITS

6.14.1 MSC Status

On 29 March 2002, we were granted MSC status by the MDC which entitles us to the incentives, rights and privileges under the Bill of Guarantees. The Bill of Guarantees sets out the Government's undertakings to MSC status companies as follows:

1. to provide a world-class physical and information infrastructure;
2. to allow unrestricted employment of local and foreign knowledge workers;
3. to ensure freedom of ownership by exempting companies with MSC status from local ownership requirements;
4. to give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally;
5. to provide competitive financial incentives, including Pioneer Status (100% tax exemption) for up to ten (10) years or an Investment Tax Allowance ("ITA") for up to five (5) years and no duties on the importation of multimedia equipment;
6. to become a regional leader in Intellectual Property Protection and Cyberlaws;
7. to ensure no censorship of the Internet;
8. to provide globally competitive telecommunications tariffs;
9. to tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub; and
10. to provide a high-powered implementation agency to act as an effective one-stop super shop.

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6. BUSINESS (Cont'd)

Having qualified for the MSC status, we are expected to operate according to the following conditions to maintain this status:

Conditions Imposed	Status of compliance
<p>(i) Complete business registration of StemLife under the Act within one (1) month from the date of approval, commence operations of StemLife within six (6) months from the date of approval, and undertake the MSC-qualifying activities as specified below within six (6) months from the date of approval or by such date(s) as may be specified in the company's business plan as approved, which date(s) may be extended or modified with the written consent of MDC and thereafter continue with such business and activities unless otherwise approved by MDC. The MSC-qualifying activities are as follows:-</p> <p style="margin-left: 40px;">(a) Cord Blood Banking Centre</p> <p style="margin-left: 40px;">(b) Centre for Advanced Medical Enterprises, which includes Stem Cell Science Research, Molecular Diagnostics, Advanced Laboratory Medicine, Tele-Medicine Hub and Bio-Medical Incubation Centre</p> <p style="margin-left: 40px;">Any changes to the above MSC-qualifying activities as detailed in the business plan must receive the prior written consent of MDC;</p>	Complied.
<p>(ii) Locate the Company's headquarters and the implementation and operation of the MSC-qualifying activities in Cyberjaya, within six (6) months from the date of approval;</p>	Complied.
<p>(iii) Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the Company shall be "knowledge workers" (as defined by MDC);</p>	Will ensure continued compliance.
<p>(iv) Continuously comply with the MSC's environmental guidelines;</p>	Will ensure continued compliance.
<p>(v) Submit to MDC a copy of the Company's Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia; and</p>	Will ensure continued compliance.
<p>(vi) Comply with all such statutory, regulatory and/or licensing requirements as may be applicable.</p>	Will ensure continued compliance.

A MSC status company is required to comply with the processes and procedures imposed by MDC to ensure compliance with the conditions attached to the grant of MSC status, evaluating and assessing its progress and assurances as contained in its application documents submitted to the MDC (including its business development plan) and subsequent update documents. Failure to comply with these monitoring processes and procedures may result in the MSC status being withdrawn.

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6. BUSINESS (Cont'd)

6.14.2 Pioneer Status

We were granted pioneer status by the Ministry of International Trade and Industry on 8 May 2002. Pursuant to this, we enjoy certain financial incentives accorded to it under Section 4A of the Promotion of Investments Act, 1986, which is intended to promote the development of activities which are deemed to be of national and strategic importance to Malaysia. In particular, we are entitled to 100% income tax exemption on profits generated from our MSC-qualifying activities for a period of five (5) years commencing on 8 May 2002. This period of five (5) years may be renewable upon formal application to the MDC before 7 May 2007 and subject to MDC's confirmation that the company has complied with all the conditions for MSC status. The grant of any such extension is at the discretion of the Ministry of International Trade and Industry, with the concurrence of the Minister of Finance. Notwithstanding that all conditions for MSC status have been complied with, it should also be noted that, pursuant to the Promotion of Investments Act 1986, the maximum period for pioneer status is ten (10) years.

Accordingly, based on current laws and regulations, no further extensions would be possible for our pioneer status beyond 8 May 2012.

6.14.3 Licenses and Permits

As of 1 May 2006, our activities came under the purview of the PHFS Act and its subsidiary legislation i.e. the PHFS Regulations. Under the PHFS Act, we are required to apply for an approval to maintain our current operation. After receiving the approval, we are required to apply for a licence from the Ministry of Health within three (3) years from the date of the issuance of the approval to continue to provide our services. Steps are being taken by the Company to comply with the provisions of the PHFS Act and PHFS Regulations.



Currently, the business activities of the other companies in the Group do not require any special operating licenses or permits from any authorities.

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6. BUSINESS (Cont'd)

6.15 TRADEMARKS

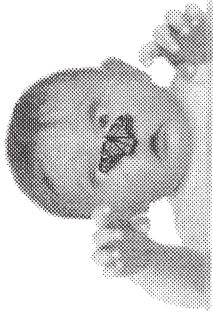
We have obtained/applied for trademarks for our brands as follows:

Trade Mark	Country	Class	Description of Class Headings of Trade Mark	Trade Mark/ Application No.	Status of Trade Mark Application/Registration
REGENERATION	Malaysia	16	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesive for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks	05008876	Application was filed on 3 June 2005 by Raja, Darryl & Loh ("RDL") Obtained
	Thailand			592531	
	Malaysia	44	Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services	05008877	Application was filed on 3 June 2005 by RDL
	Thailand			592528	Application was filed on 7 June 2005 by Frank International Ltd
	Malaysia	42	Scientific and technological service and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; legal services	05008878	Application was filed on 3 June 2005 by RDL
	Thailand			592527	Application was filed on 7 June 2005 by Frank International Ltd

6. BUSINESS (Cont'd)

Trade Mark	Country	Class	Description of Class Headings of Trade Mark	Trade Mark/ Application No.	Status of Trade Mark Application/Registration
	Malaysia	44	Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services	05008879	Application was filed on 3 June 2005 by RDL
	Thailand			592530	Application was filed on 7 June 2005 by Frank International Ltd
	Malaysia	42	Scientific and technological service and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; legal services	05008880	Application was filed on 3 June 2005 by RDL
	Thailand			592529	Application was filed on 7 June 2005 by Frank International Ltd
StemLife	Malaysia	44	Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services	05008881	Application was filed on 3 June 2005 by RDL
	Thailand			592526	Application was filed on 7 June 2005 by Frank International Ltd

6. BUSINESS (Cont'd)

Trade Mark	Country	Class	Description of Class Headings of Trade Mark	Trade Mark/ Application No.	Status of Trade Mark Application/Registration
StemLife	Malaysia Thailand	42	Scientific and technological service and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; legal services	05008882 592525	Application was filed on 3 June 2005 by RDL Application was filed on 7 June 2005 by Frank International Ltd
	Thailand	16	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesive for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks	593339	Application was filed on 13 June 2005 by Frank International Ltd

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6. BUSINESS (Cont'd)

6.16 INFORMATION ON PROPERTIES OWNED AND RENTED

We currently own the following properties:

Registered/ Beneficial owner	Title/Address/ Location*	Approximate Age of Building (years)/ Date of CF	Tenure (years)	Type of property and existing use	Express conditions/ Restrictions in interest	Encumbrances	Land/ Built- up area (sq. ft.)	Net book value (RM)	Date of transaction^	Purchase consideration (RM)
Valour Grace Sdn Bhd/ SL Properties	B-7-15, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur / 37731/M1- B7/179 Lot No. 144 Seksyen 44 Bandar Kuala Lumpur, Daerah Wilayah Persekutuan, Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur	11/ 30.08.1999	Freehold	Office premise within a commercial building	Nil	Nil	3,702	705,992.00	20.07.2005	720,400
Exclusive Sunrise Sdn Bhd/ SL Properties	Unit 603, Parcel No. 3, Storey No. 6, H.S. (D) 100335 Lot P.T. 5756 Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan	1/ 29.11.2005	Freehold	Sports medicine centre within a commercial building	The land must be used for commercial building only/ Nil	Charge on Master Title to AmFinance Berhad registered on 22/10/03	908	418,228.00	18.07.2005	426,760

6. BUSINESS (Cont'd)*Notes:*

- ^ As per the date of the sale and purchase agreement.
 * The issue document of title for the property has yet to be issued by the relevant authorities. Pending the issuance of the document of title, SL Properties' interests in the properties are secured and regulated by the sale and purchase agreements entered into between Valour Grace Sdn Bhd and SL Properties and between Exclusive Sunrise Sdn Bhd and SL Properties.

We currently rent the following properties:

Address	Approximate Age of building/ Date of CF	Type of property and existing use	Land/Built-up area (sq. ft.)	Monthly rental (RM)	Tenure
B-0-14 & B-1-14, Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur	11/ 30.08.1999	Laboratory within a commercial building	3,154	12,000.00	2 years / From 01.04.06 to 31.03.08
Ground Floor Centre for Health, Innovation & Medical Enterprise Block 3440 Jalan Teknokrat 3 63000 Cyberjaya	4 years/ Not available	Laboratory within a commercial building	1,617	5,679.57	3 months / From 01.07.06 to 30.09.06

As at the date of this Prospectus, there has been no breach of the land-use conditions/permmissible land use in respect of the properties owned/rented as listed above.

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