

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

The following is a summary of the proforma consolidated income statements of the Group for the three (3) FYs ended 31 December 2005 and the six (6) months ended 30 June 2005 and 2006 prepared based on the assumption that the Group has been in existence throughout the FYs/FPs under review. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information together with the accompanying notes as set out in Section 11.14 of this Prospectus.

	< -----FY ended 31 December----- >			Six (6) months ended 30 June 2005 [#]	Six (6) months ended 30 June 2006
	2003 RM'000	2004 RM'000	2005 RM'000	RM'000	RM'000
Revenue	1,218	3,288	7,577	2,648	5,648
Cost of sales	(946)	(1,530)	(3,702)	(1,301)	(3,127)
Gross profit	<u>272</u>	<u>1,758</u>	<u>3,875</u>	<u>1,347</u>	<u>2,521</u>
EBITDA	(502)	1,342	2,754	932	1,700
Depreciation	(89)	(125)	(302)	(81)	(227)
Interest expense	-	(4)	(4)	(2)	(2)
	<u>(591)</u>	<u>1,213</u>	<u>2,448</u>	<u>849</u>	<u>1,471</u>
Share of associate company's results	-	-	(399)	-	(231)
(LBT)/ PBT	<u>(591)</u>	<u>1,213</u>	<u>2,049</u>	<u>849</u>	<u>1,240</u>
Taxation	-	-	(8)	(1)	(4)
(LAT)/ PAT	<u>(591)</u>	<u>1,213</u>	<u>2,041</u>	<u>848</u>	<u>1,236</u>
No. of Stemlife Shares	125,000	125,000	125,000	125,000	125,000
Gross profit margin (%)	22.33	53.47	51.14	50.87	44.63
PAT margin (%)	(48.52)	36.86	26.94	32.02	21.88
Gross (LPS)/ EPS (sen)	(0.5)	1.0	1.6	0.7	1.0
Net (LPS)/ EPS (sen)	(0.5)	1.0	1.6	0.7	1.0
Effective tax rate (%)	-	-	0.4	0.1	0.3

Note:

The proforma consolidated income statement for the six (6) months ended 30 June 2005 is not audited and is included for comparison purpose only.

There were no extraordinary items or exceptional items during the FYs and FP under review.

All our audited financial statements and that of our subsidiary and associated companies have been reported by the auditors without any qualifications for the FYs and FP under review.

11. FINANCIAL INFORMATION (Cont'd)

11.2 SEGMENTAL ANALYSIS

The following is a segmental analysis of the revenue and PBT by company and activity assuming that the Group has been in existence throughout the FYs/FP presented.

(i) Analysis of revenue and PBT by company

Revenue

Company	< -FY ended 31 December- >			Six (6)	Six (6)
	2003	2004	2005	months	months
	RM'000	RM'000	RM'000	ended 30	ended 30
				June 2005 [#]	June 2006
				RM'000	RM'000
StemLife	1,218	3,288	7,577	2,648	5,648
SL Diagnostics	-	-	-	-	21
SL Logistics	-	-	-	-	-
SL Properties	-	-	8	-	-
SL Therapy	-	-	-	-	-
	1,218	3,288	7,585	2,648	5,669
Consolidation adjustments*			(8)	-	(21)
Total	1,218	3,288	7,577	2,648	5,648

Notes:

Unaudited and is included for comparison purpose only

* This represents inter-company transactions

PBT/(LBT)

Company	< -FY ended 31 December- >			Six (6)	Six (6)
	2003	2004	2005	months	months
	RM'000	RM'000	RM'000	ended 30	ended 30
				June 2005 [#]	June 2006
				RM'000	RM'000
StemLife	(591)	1,213	2,105	856	1,258
SL Diagnostics	-	-	(4)	(2)	(1)
SL Logistics	-	-	-	-	(3)
SL Properties	-	-	(48)	(3)	(13)
SL Therapy	-	-	(4)	(2)	(1)
Total	(591)	1,213	2,049	849	1,240

Notes:

Unaudited and is included for comparison purpose only

* This represents inter-company transactions

11. FINANCIAL INFORMATION (Cont'd)

(ii) Analysis of revenue by activity

Revenue

Activity	< -FY ended 31 December- >			Six (6)	Six (6)
	2003	2004	2005	months ended 30 June 2005 [#]	months ended 30 June 2006
	RM'000	RM'000	RM'000	RM'000	RM'000
UCBSC Banking	1,218	3,006	6,921	2,648	5,427
PBSC Banking	-	34	641	-	221
Consultancy services	-	224	-	-	-
Others	-	24	15	-	-
Rental Income	-	-	8	-	21
	1,218	3,288	7,585	2,648	5,669
Consolidation adjustments*			(8)	-	(21)
Total	1,218	3,288	7,577	2,648	5,648

Notes:

Unaudited and is included for comparison purpose only

* This represents inter-company transactions

11.3 OVERVIEW OF RESULTS

FY ended 31 December 2003

Subsequent to our first year of operations in 2002, with continued efforts in marketing and creating awareness of our services, we increased our turnover by 425% to RM1.22 million. This is a direct result of an increase in the number of sign-up cases of 523 in 2003 compared to 101 cases in 2002.

Similarly, gross profit increased by 197% to RM0.27 million while gross margin rose significantly as a result of increased efficiency from the higher number of sign-up cases. However, we had not reached our optimal operating efficiency and as a result, recorded a pre-tax loss of RM0.59 million.

General and administration expenses increased by 107% due primarily to an increase in personnel and support costs.

FY ended 31 December 2004

Turnover increased to RM3.29 million from RM1.21 million in 2003, representing an increase of 170%. This is a direct result of awareness of our services, which is evidenced by an increase in the number of sign-up cases from 523 to 1,249.

Gross profit increased by more than 500% to RM1.75 million, principally due to greater operating efficiency and lower cost per sample processed as a result of an increase in the number of sign-up cases. Meanwhile, general and administrative expenses is lower by RM0.39 million mainly due to a reduction in Directors' fees to RM36,000 for 2004 from RM390,000 in 2003.

We turned around our operations in 2004 with a PAT of RM1.21 million as compared to a loss of RM0.59 million in 2003, after only three (3) years in operations, mainly due to greater awareness of the availability and benefits of our services.

11. FINANCIAL INFORMATION (Cont'd)***FY ended 31 December 2005***

Turnover for the year was RM7.57 million as compared to RM3.28 million, representing an increase of 130%. We have consistently managed to increase our turnover by more than 100% year-on-year since the commencement of our operations. This is a direct result of an increase in the number of sign up cases with 2,972 cases achieved in 2005. During the year, we also launched its PBSC Banking and stem cell therapy and consultancy services with 25 clients signed up.

Gross profit increased to RM3.87 million from RM1.75 million in 2004, representing an increase of 120%. This is in line with the increase in the number of sign-up cases. General and administrative expenses increased by RM1.0 million or 177% primarily due to increased costs as a result of an increase in the level of business and R&D expenditure of RM157,430.

Thai StemLife also commenced operations during the year whereby our share of losses amounted to RM0.39 million. This resulted in a decrease in our PAT margin from 36.86% in 2004 to 26.94% in 2005.

FP ended 30 June 2006

Turnover for the six (6) months was RM5.64 million, with the annualised results showing an increase of 49% as compared to 2005. The increase in turnover is mainly due to an increase in the number of UCBSC sign-up cases, with 2,491 confirmed cases as at 30 June 2006.

Similarly, gross profit for the six (6) months increased by 30% to RM2.52 million, an increase of 30%, as compared to 2005's gross profit. However, gross profit margin for the six (6) months declined to 44.64% mainly due to the 4th anniversary promotion carried out by us during the first quarter of 2006.

General and administrative expenses for the six (6) months increased to RM1.06 million mainly as a result of:

- an increase in the number of staff due to the increase in the level of business; and
- an increase in Director's remuneration to RM210,000 for the six (6) months as compared to RM36,000 in the FY ended 31 December 2005.

Even though our share of losses in Thai StemLife amounted to RM0.23 million, we achieved an increase in PAT of 21% to RM1.23 million for the six (6) months is in line with the increase in turnover.

11.4 TAX CONSIDERATION

		< -FY ended 31 December- >			Six (6) months ended 30 June 2006
		2003	2004	2005	
Corporation tax	(RM'000)	-	-	8	4
Deferred taxation	(RM'000)	-	-	-	-
Effective tax rate	(%)	-	-	0.36	0.32
Statutory tax rate	(%)	-	-	28 & 20	28 & 20

No provision for taxation was made on our business income as we were granted pioneer status incentive, whereby our business income is tax exempted for a period of five (5) years beginning 8 May 2002.

11. FINANCIAL INFORMATION (Cont'd)

However, income tax is payable for interest income received at the statutory tax rate of 28% and for SL Properties' rental income at the statutory rate of 20%.

11.5 SIGNIFICANT TRENDS**Revenue**

There are no significant changes in our revenue mix of UCBSC Banking and PBSC Banking services in the current FP up to the Latest Practicable Date as compared to the six (6) months ended 30 June 2006.

Cost and Selling Prices

Cost of sales remain relatively stable for the six (6) months ended 30 June 2006 as compared to the FY ended 31 December 2005. We do not foresee any significant increase in the cost of sales for the remaining year.

The pricing for our services during the FP ended 30 June 2006 is consistent with the 2005 pricing, except during the 4th anniversary promotion in the first quarter of 2006 when discounts were given. We will continue to improve our operational efficiency to improve on the gross profit margins.

State of Order Book

We have long term relationships with our customers for the cryo-preservation of the stem cell samples. As at the Latest Practicable Date, we have approximately 7,500 samples in our laboratories, which are expected to generate annual fees for each year of storage.

UCBSC Banking remained positive in the FP ended 30 June 2006, with monthly average UCBSC sign-up cases for the six (6) months ended 30 June 2006 of 415 as compared to the monthly average of 248 cases in the FY ended 31 December 2005.

PBSC Banking, which was launched in 2005, has been well received by the general public with 16 sign-up cases for the six (6) months ended 30 June 2006.

We have earned the confidence and recognition of our customers, doctors and hospitals, due to our track record of delivering services that are of high quality in a consistently prompt manner as well as satisfying the stringent demands imposed by our customers. This is evidenced by our collaboration agreements with hospitals and doctors, stem cell therapeutic transplants carried out with medical specialists and increasing numbers of sign-up cases.

Based on the number of stem cell samples in laboratories as at the Latest Practicable Date, our annual recurring revenue is approximately RM1.9 million. However, with increasing new sign-up cases, the recurring annual storage is expected to increase accordingly.

11.6 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE OF THE GROUP

Save as disclosed in Section 10 of this Prospectus, our Directors are of the view that our financial performance, position and operations are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have a material favourable or unfavourable impact on our financial performance, position and operations; and
- (ii) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make our historical financial statements not indicative of our future financial performance and position.

11. FINANCIAL INFORMATION (Cont'd)

11.7 LIQUIDITY AND CAPITAL RESOURCES

11.7.1 Working capital

We generally finance our growth and operations mainly through a combination of shareholders' equity and internally generated funds. Our principal uses of our working capital are to purchase consumables as well as to meet operational expenses. We typically maintain a positive working capital balance.

As at the Latest Practicable Date, our total cash assets amounted to approximately RM3.53 million and total borrowings of approximately RM0.07 million. Further details of our borrowings are set out in Section 11.7.3 below.

Our Directors are of the opinion that, after taking into account the cash flow position of the Group and the proceeds to be raised from the Public Issue, we will have adequate working capital for our present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

11.7.2 Group Cash Flow Summary

A summary of the Group's cash flow based on our audited consolidated cash flow statement for the FY ended 31 December 2006 and six (6) months ended 30 June 2006 is set out below:

	FY ended 31 December 2005 RM'000	Six (6) months ended 30 June 2006 RM'000
Net cash generated from operating activities	2,480	1,461
Net cash used in investing activities	(7,219)	(6,860)
Net cash generated from financing activities	5,172	9,486
Net increase in cash and cash equivalents	433	4,087
Cash and cash equivalents brought forward	1,465	1,898
Cash and cash equivalents carried forward	1,898	5,985

Further details pertaining to our cash flow are set out in Section 11.12 of this Prospectus.

11.7.3 Borrowings

As at the Latest Practicable Date, our total outstanding interest-bearing borrowings (all of which are local) are as follows:

	Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	Total RM'000
Lease payables	7	-	7
	7	-	7

11. FINANCIAL INFORMATION (Cont'd)

Our gearing ratio for the FYs ended 31 December 2003 to 2005 and the six (6) months ended 30 June 2006 is as follows:

	< -- FY ended 31 December -- >			Six (6) months ended 30 June 2006
	2003	2004	2005	RM'000
	RM'000	RM'000	RM'000	RM'000
Total borrowings	-	48	21	7
Shareholders' funds	582	1,795	9,037	19,772
Gearing ratio (times)	-	0.03	*	*

Note:

* Negligible

We have not defaulted on any interests and/or principal sums in respect of our borrowings throughout the FY ended 31 December 2005 and FP ended 30 June 2006.

11.8 TRADE RECEIVABLES, TRADE PAYABLES AND INVENTORIES**11.8.1 Trade receivables**

A summary of our trade receivables for the FY ended 31 December 2003 to 31 December 2005 and the six (6) months ended 30 June 2006 is set out below:

	< --- FY ended 31 December --- >			Six (6) months ended 30 June 2006
	2003	2004	2005	RM'000
	RM'000	RM'000	RM'000	RM'000
Trade receivables	218	666	920	1,513
Less: Provision for doubtful debts	-	-	-	-
	218	666	920	1,513
Turnover	1,218	3,288	7,577	5,648
Percentage of trade receivables to turnover (%)	17.90	20.26	12.14	26.79
Trade receivables turnover period (days)	65	74	44	49

Our 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 our trade receivables during the FYs and FP under review is within our normal credit term. The significant drop in turnover period of 74 days in 2004 to 44 days in 2005 is mainly due to an improvement in our internal controls.

Our Directors are of the opinion that our trade receivables balances are reasonable and are neither excessive nor unusually low.

11. FINANCIAL INFORMATION (Cont'd)**11.8.2 Trade payables**

A summary of our trade payables for the FY ended 31 December 2003 to 31 December 2005 and the six (6) months ended 30 June 2006 is set out below:

	< -----FY ended 31 December -- >			Six (6) months ended 30 June 2006
	2003 RM'000	2004 RM'000	2005 RM'000	RM'000
Trade payables	68	35	169	179
Cost of sales (excluding depreciation)	946	1,530	3,702	3,127
Percentage of trade payables to cost of sales (%)	7.19	2.29	4.57	5.72
Trade payables turnover period (days)	26	8.7	17.4	22

Our 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 our trade payables during the FYs and FP under review is within the credit terms given by suppliers. We have 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.

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

11.8.3 Inventories

As at 30 June 2006, we do not have any inventories recorded as we are principally engaged in the provision of services.

11.9 FINANCIAL INSTRUMENTS FOR HEDGING

As at the Latest Practicable Date, we do not use any financial instrument for hedging purposes.

11.10 MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**11.10.1 Material Litigation**

As at the Latest Practicable Date, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and our Directors have no knowledge of any proceedings pending or threatened against the Company and/or its subsidiary companies and/or its associated company or of any facts likely to give rise to any proceedings which might materially and adversely affect our financial position or business.

11.10.2 Material Capital Commitments

As at the Latest Practicable Date, our Board is not aware of any material capital commitments contracted or known to be contracted by the Group which, upon becoming enforceable, may have a material impact on our financial position or business.

11. FINANCIAL INFORMATION (Cont'd)

11.10.3 Contingent Liabilities

As at the Latest Practicable Date, there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on our financial position.

11.11 STATEMENT OF ASSETS AND LIABILITIES AND PROFORMA CONSOLIDATED BALANCE SHEETS

The table below sets out our statement of assets and liabilities and proforma consolidated balance sheets as at 30 June 2006 and is provided for illustrative purposes only to show the effects of the Public Issue on the assumption that it had been completed on 30 June 2006. This statement of assets and liabilities and proforma consolidated balance sheets should be read in conjunction with the accompanying notes set out in the Reporting Accountant's Letter on Proforma Financial Information disclosed in Section 11.14 of this Prospectus.

	Audited Consolidated Balance Sheet as at 30 June 2006 RM'000	After Public Issue RM'000
Non-current assets		
Property, plant and equipment	3,482	12,182
Investment	9,849	9,849
Deferred expenditure	346	-
Current assets		
Trade receivables	1,513	1,513
Other receivables and deposits	112	112
Amount due from associate company	1	1
Cash and bank balances	5,985	8,831
	7,611	10,457
Current liabilities		
Trade payables	179	179
Other payables and accruals	1,090	1,090
Amount due to Directors	228	228
Provision for taxation	12	12
Lease creditors	7	7
	1,517	1,517
Net current assets	6,094	8,940
Net assets	19,772	30,972
Financed by:		
Share capital	12,500	16,500
Reserves	7,272	14,472
Shareholders' funds	19,772	30,972
Number of ordinary shares of RM0.10 each ('000)	125,000	165,000
NTA/ Proforma NTA (RM'000)	19,426	30,972
NTA per share/ Proforma NTA per share (sen)	15.54	18.77
Net assets (RM'000)	19,772	30,972
Net assets per share (sen)	15.82	18.77

11. FINANCIAL INFORMATION (Cont'd)

11.12 CONSOLIDATED CASH FLOW STATEMENT

The table below sets out our consolidated cash flow statement of StemLife for the six (6) months ended 30 June 2006 which should be read in conjunction with the accompanying notes set out in the Reporting Accountants' Letter on Proforma Financial Information disclosed in Section 11.14 of this Prospectus.

	Six (6) months ended 30 June 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
PBT	1,240
Adjustments for:	
Depreciation	226
Loss on disposal of property, plant and equipment	4
Share of associate company's results	231
Operating profit before working capital changes	<u>1,701</u>
Receivables	(643)
Payables	203
Associate company	5
Directors' account	195
Net cash generated from operating activities	<u>1,461</u>
CASH FLOWS FOR INVESTING ACTIVITIES	
Investment in unquoted shares	(6,000)
Purchase of property, plant and equipment	(607)
Deferred expenditure	(253)
Net cash used in investing activities	<u>(6,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of share capital	9,500
Repayments of lease payables	(14)
Net cash generated from financing activities	<u>9,486</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,087
Cash and cash equivalents at beginning of the period	<u>1,898</u>
Cash and cash equivalents at end of the period	<u>5,985</u>
CASH AND CASH EQUIVALENTS COMPRISE:	
Cash and bank balances	<u>5,985</u>

11. FINANCIAL INFORMATION (Cont'd)

11.13 DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED CASH FLOW STATEMENT

Net cash generated from operating activities

Net cash generated from the Group's operating activities for the six (6) months ended 30 June 2006 amounted to approximately RM1.5 million, which is mainly due to receipts from customers and after deduction of operational expenses.

Net cash used in investing activities

Net cash used in investing activities for the six (6) months ended 30 June 2006 amounted to approximately RM6.9 million mainly as a result of our investment in HSC.

Net cash generated from financing activities

Net cash generated from financing activities for the six (6) months ended 30 June 2006 amounted to approximately RM9.5 million mainly as a result of proceeds from the issuance of new StemLife Shares.

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11. FINANCIAL INFORMATION (Cont'd)

11.14 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA FINANCIAL INFORMATION

(Prepared for the inclusion in this Prospectus)

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



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Malaysian Institute of Accountants
(Established under the Accountants Act 1967)
Institut Akauntan Malaysia
(Diperbadankan di bawah Akta Akauntan 1967)

Date : **01 SEP 2006**

The Board of Directors
StemLife Berhad
B-7-15, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

Dear Sirs,

**STEMLIFE BERHAD ("STEMLIFE" OR THE "COMPANY")
PROFORMA FINANCIAL INFORMATION**

We have reviewed the Proforma Financial Information for the past three financial years ended 31 December 2003 to 31 December 2005 and the six months ended 30 June 2006 of StemLife and its subsidiary and associated companies ("the Group"), together with the notes thereto as set out in the accompanying statements. The Proforma Financial Information have been prepared for illustrative purposes only for inclusion in the Prospectus of StemLife, in connection with the public issue of 40,000,000 new ordinary shares of RM0.10 each in StemLife at an issue price of RM0.33 per ordinary share and the subsequent listing of and quotation for the entire enlarged issued and paid-up share capital of StemLife on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Securities Exchange").

It is the responsibility solely of the Board of Directors of StemLife to prepare the Proforma Financial Information in accordance with the requirements of the Securities Commission's Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion on the Proforma Financial Information as required by the Guidelines and to report our opinion to you.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Proforma Financial Information with the Directors of StemLife.

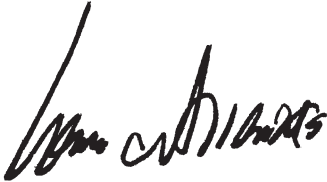
11. FINANCIAL INFORMATION (*Cont'd*)

In our opinion,

- (i) the Proforma Financial Information have been properly prepared on the basis stated and such basis is consistent with the accounting policies normally adopted by the Group;
- (ii) the Proforma Financial Information have been properly prepared in accordance with the applicable Financial Reporting Standards (FRS) in Malaysia; and
- (iii) the adjustments as explained in the Notes to the Proforma Financial Information are appropriate for the purposes of preparing such financial information.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

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

11. FINANCIAL INFORMATION (Cont'd)

PROFORMA FINANCIAL INFORMATION

A. INTRODUCTION

This Proforma Financial Information have been prepared for illustrative purposes only for inclusion in the Prospectus of StemLife in connection with the listing scheme of StemLife as referred to in Section B of this report.

B. LISTING SCHEME

1. Public Issue

Public issue of 40,000,000 new ordinary shares of RM0.10 each in StemLife (“StemLife Shares”) at an issue price of RM0.33 per StemLife Share (“Public Issue Shares”).

2. Listing and Quotation on the MESDAQ Market

Admission to the Official List of the Securities Exchange and listing of and quotation for StemLife’s entire enlarged issued and paid-up share capital comprising 165,000,000 StemLife Shares on the MESDAQ Market of the Securities Exchange.

11. FINANCIAL INFORMATION (Cont'd)

C. PROFORMA CONSOLIDATED BALANCE SHEETS

	Notes	Audited Consolidated Balance Sheet As At 30 June 2006 RM '000	Proforma I After Public Issue RM '000
NON CURRENT ASSETS			
Property, plant and equipment	1.2	3,482	12,182
Investments	1.3	9,849	9,849
Deferred expenditure		346	0
CURRENT ASSETS			
Trade receivables	1.4	1,513	1,513
Other receivables and deposits		112	112
Amount due from associated company		1	1
Cash and bank balances	1.5	5,985	8,831
		<u>7,611</u>	<u>10,457</u>
CURRENT LIABILITIES			
Trade payables	1.6	179	179
Other payables and accruals		1,090	1,090
Amount due to Directors		228	228
Provision for taxation		12	12
Lease creditors	1.7	7	7
		<u>1,517</u>	<u>1,517</u>
NET CURRENT ASSETS			
		6,094	8,940
		<u>19,772</u>	<u>30,972</u>
FINANCED BY:			
Share capital	1.8	12,500	16,500
Share premium reserves	1.9	4,000	11,200
Unappropriated profit		3,272	3,272
		<u>19,772</u>	<u>30,972</u>
NUMBER OF ORDINARY SHARES	'000	<u>125,000</u>	<u>165,000</u>
NET TANGIBLE ASSETS	RM '000	<u>19,426</u>	<u>30,972</u>
NET TANGIBLE ASSETS PER SHARE	Sen	<u>15.54</u>	<u>18.77</u>
NET ASSETS	RM '000	<u>19,772</u>	<u>30,972</u>
NET ASSETS PER SHARE	Sen	<u>15.82</u>	<u>18.77</u>

11. FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2006

1. Basis of Preparation

The Proforma Consolidated Balance Sheets of StemLife have been prepared based on the audited consolidated balance sheets of StemLife as at 30 June 2006, as applicable, solely for illustrative purposes, to show the effects of the exercises, detailed in Section B above, to be undertaken by StemLife.

The Proforma Consolidated Balance Sheets of StemLife together with the notes thereon have been prepared for illustrative purposes only, based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of StemLife and its subsidiary and associated companies as at 30 June 2006, which have been prepared in accordance with the applicable Financial Reporting Standards (FRS) in Malaysia and on the assumptions that the Public Issue of StemLife have been effected on that date.

1.1 Proforma I

Proforma I incorporates the effects of the following:

- (i) Public issue of 40,000,000 new StemLife Shares at an issue price of RM0.33 per ordinary share ("Public Issue"); and
- (ii) Utilisation of proceeds from the Public Issue amounting to RM13,200,000 in the following manner:

	RM'000
Laboratory expansion	5,600
Logistics expansion	600
Branch expansion	2,500
Working capital	2,500
Estimated listing expenses	2,000
Total	<u>13,200</u>

The estimated listing expenses of RM2,000,000 will be charged against the share premium account; of which RM346,345 was included in Deferred Expenditure as at 30 June 2006.

1.2 Property, Plant and Equipment

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Office suites	3,668	(35)	3,633
Laboratory equipment	7,448	(463)	6,985
Furniture and fittings	32	(11)	21
Office equipment	151	(61)	90
Computer equipment	127	(64)	63
Renovations	882	(98)	784
Advertising and exhibitions equipment	23	(17)	6
Motor vehicles	600	-	600
	<u>12,931</u>	<u>749</u>	<u>12,182</u>

11. FINANCIAL INFORMATION (Cont'd)

1.3 Investments

	RM'000
Investment in associated company - unquoted shares at cost	945
Share of associated company's loss	(629)
	<u>316</u>
Pru Bond Fund – at cost	3,533
Unquoted shares	6,000
	<u>9,849</u>

1.4 Trade Receivables

StemLife's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and negotiated on a case-by-case basis.

1.5 Trade Payables

The normal trade credit term granted to StemLife ranges from 30 to 90 days. Other credit terms are assessed and negotiated on a case-by-case basis.

1.6 Lease Creditors

	RM'000
Repayable within one year	9
Repayable after one year	-
	<u>9</u>
Less: Unexpired interest	(2)
	<u>7</u>
Due within one year	7
Due after one year	-
	<u>7</u>

11. FINANCIAL INFORMATION (Cont'd)

1.7 Share Capital

As at the date of this report, the authorised share capital of StemLife is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of StemLife as of the date of this report is RM12,500,000 comprising 12,500,000 ordinary shares of RM0.10 each.

The movements in the issued and paid-up share capital of StemLife are as follows :-

	No. of Ordinary Shares of RM0.10 each '000	RM'000
Issued and paid-up share capital as at 30 June 2006	125,000	12,500
Public Issue	400,000	40,000
As per Proforma I	165,000	16,500

1.8 Share Premium Reserves

The estimated listing expenses have been debited against the share premium account. The movements in the share premium account are as follows :-

As at 30 June 2006	RM'000 4,000
Premium arising from Public Issue	9,200
Estimated listing expenses	(2,000)
As per Proforma I	11,200

11. FINANCIAL INFORMATION (Cont'd)

2. The movement of the issued and paid-up capital, share premium, property, plant and equipment, cash and bank balances and investments after taking into account the above transactions are as follows:

	Share Capital RM '000	Share Premium RM '000	Cash & Bank Balances RM '000	Plant Property & Equipment RM '000	Invest- ments RM '000
Audited Consolidated Balance Sheet As at 30 June 2006	12,500	4,000	5,985	3,482	9,849
Public Issue	4,000	9,200	13,200	-	-
Estimated listing expenses *	-	(2,000)	(1,654)	-	-
Proposed utilisation of proceeds	-	-	(8,700)	8,700	-
Proforma I	16,500	11,200	8,831	12,182	9,849

* The estimated listing expenses of RM2,000,000 will be charged against the share premium account; of which RM346,345 was included in Deferred Expenditure as at 30 June 2006.

D. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of StemLife as at 30 June 2006 are prepared based on the audited financial statements of StemLife Berhad, StemLife Properties Sdn Bhd, SL Diagnostics Sdn Bhd, Cell Therapy Innovations Sdn Bhd and StemLife Logistics Sdn Bhd for the six months ended 30 June 2006 which have been prepared in accordance with the applicable Financial Reporting Standards (FRS) in Malaysia and the management accounts of Thai StemLife Company Limited for the six months ended 30 June 2006 and has been reflected under the Proforma Consolidated Balance Sheets of StemLife as at 30 June 2006 under Section C.

The Group's statement of assets and liabilities should be read in conjunction with the accompanying notes on the Proforma Consolidated Balance Sheets of StemLife under Section C.

11. FINANCIAL INFORMATION (Cont'd)

**E. PROFORMA CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 31 DECEMBER
2005 AND THE SIX MONTHS ENDED 30 JUNE 2006**

The following is a summary of the proforma consolidated income statements of the Group for the past three financial years ended 31 December 2003 to 31 December 2005 and the six months ended 30 June 2006 which is presented for illustrative purposes only after making such adjustments that are considered necessary and assuming that the Group has been in existence throughout the financial years under review.

Year ended 31 December	<u>Unaudited Proforma</u>		<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
	2003	2004	Proforma	Proforma #	Proforma
	RM '000	RM '000	RM '000	01.01.05 to 30.06.05	01.01.06 to 30.06.06
Revenue	1,218	3,288	7,577	2,648	5,648
Cost of sales	(946)	(1,530)	(3,702)	(1,301)	(3,127)
Gross Profit	272	1,758	3,875	1,347	2,521
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(502)	1,342	2,754	932	1,700
Depreciation	(89)	(125)	(302)	(81)	(227)
Interest Expense	-	(4)	(4)	(2)	(2)
Profit Before Taxation and associated company's results	(591)	1,213	2,448	849	1,471
Share of associated company's result	-	-	(399)	-	(231)
Profit Before Taxation	(591)	1,213	2,049	849	1,240
Taxation	-	-	(8)	(1)	(4)
Profit After Taxation	(591)	1,213	2,041	848	1,236
Gross Profit	272	1,758	3,875	1,347	2,521
Gross Profit Margin (%)	22.33	53.47	51.14	50.87	44.63
Profit After Taxation Margin (%)	(48.52)	36.89	26.94	32.02	21.88
No. of Ordinary Shares	'000	125,000	125,000	125,000	125,000
Gross Earnings per share (Sen)	(0.5)	1.0	1.6	0.7	1.0
Net Earnings per share (Sen)	(0.5)	1.0	1.6	0.7	1.0
Effective Tax Rate (%)	-	-	0.4	0.1	0.3

The Proforma Consolidate Income Statements for the six months ended 30 June 2005 are unaudited and are included for comparison purposes only.

11. FINANCIAL INFORMATION (Cont'd)

F. CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 AND THE SIX MONTHS ENDED 30 JUNE 2006

	01.01.05 to 31.12.05 RM '000	01.01.06 to 30.06.06 RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,049	1,240
Adjustments for :		
Depreciation	302	226
Loss on disposal of property, plant and equipment	1	4
Share of associated company's result	399	231
Operating profit before working capital changes	2,751	1,701
Receivables	(282)	(643)
Payables	415	203
Associated Company	(6)	5
Directors' account	(398)	195
Net cash generated from operating activities	2,480	1,461
CASH FLOW FOR INVESTING ACTIVITIES		
Investment in associated company	(945)	-
Investment in unquoted shares	-	(6,000)
Investment in Pru Bond Fund	(3,534)	-
Purchase of property, plant and equipment	(2,647)	(607)
Deferred Expenditure	(93)	(253)
Net cash used in investing activities	(7,219)	(6,860)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	5,200	9,500
Repayment of lease payables	(28)	(14)
Net cash generated from financing activities	5,172	9,486
NET INCREASE IN CASH AND CASH EQUIVALENTS	433	4,087
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	1,465	1,898
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	1,898	5,985
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and bank balances	1,898	5,985

Note :-

The Proforma consolidated cash flow statement of StemLife has been prepared before taking into account the proceeds from the Public Issue.

11. FINANCIAL INFORMATION (Cont'd)

PROFORMA CONSOLIDATED INCOME STATEMENTS AND CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 31 DECEMBER 2005 AND THE SIX MONTHS ENDED 30 JUNE 2006

Basis of Preparation

- (i) The proforma consolidated income statements and cash flow statements for the financial years ended 31 December 2003 to 31 December 2005 and the six months ended 30 June 2006 are presented for illustrative purpose only and on the assumption that the Group has been in existence throughout the financial years under review.
- (ii) The proforma consolidated income statements and cash flow statements of the Group are prepared based on the following :-
 - (a) audited financial statements of StemLife for the years ended 31 December 2003 to 31 December 2005 and the six months ended 30 June 2006;
 - (b) audited financial statements of StemLife Properties Sdn Bhd, SL Diagnostics Sdn Bhd and Cell Therapy Innovations Sdn Bhd for the financial period ended 31 December 2005 and the six months ended 30 June 2006;
 - (c) audited financial statements of StemLife Logistics Sdn Bhd for the six months ended 30 June 2006;which have been prepared in accordance with the applicable Financial Reporting Standards (FRS) in Malaysia; and
 - (d) audited financial statements of Thai StemLife Company Limited for the financial period ended 31 December 2005 and management accounts for the six months ended 30 June 2006.
- (iii) All significant inter-company transactions are eliminated on consolidation and the proforma Group results reflect external transactions only.
- (iv) There were no extraordinary items or exceptional items in respect of all the financial years/periods under review.
- (v) The earnings per ordinary share have been calculated by dividing the consolidated profit after tax by the number of StemLife Shares assumed in issue before the Public Issue.

11. FINANCIAL INFORMATION (Cont'd)**11.15 CONSOLIDATED PROFIT FORECASTS**

Our Directors forecast that our consolidated profit forecasts, which have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the Group, for the FYs ending 31 December 2006 and 2007 are set out below. Our consolidated profit forecasts should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountants' Letter on the Consolidated Profit Forecasts included in Section 11.16 of this Prospectus.

	Forecast FY ending 31 December 2006 RM'000	Forecast FY ending 31 December 2007 RM'000
Turnover	13,878	18,226
Gross Profit	5,941	7,922
Consolidated PBT	3,870	6,206
Less: Taxation	(78)	(152)
Consolidated PAT	3,791	6,054
No. of StemLife Shares in issue ^{^^} ('000)	165,000	165,000
Gross EPS (sen) [#]	2.35	3.76
Net EPS (sen) ^{<}	2.30	3.67
Gross PE multiple (times)*	14.07	8.77
Net PE multiple (times)*	14.36	8.99

Notes:

^{^^} Based on 165,000,000 StemLife Shares assumed to be in issue after the Public Issue

[#] Calculated based on the consolidated PBT divided by the enlarged share capital of 165,000,000 StemLife Shares

[<] Calculated based on the consolidated PAT divided by the enlarged share capital of 165,000,000 StemLife Shares

^{*} Calculated based on the issue price of RM0.33 per StemLife Share

11. FINANCIAL INFORMATION (Cont'd)

11.16 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECASTS
(Prepared for the inclusion in this Prospectus)

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)

Date : **01 SEP 2006**

The Board of Directors
StemLife Berhad
B-7-15, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

Dear Sirs,

**STEMLIFE BERHAD (“STEMLIFE” OR THE “COMPANY”)
CONSOLIDATED PROFIT FORECASTS FOR THE YEAR ENDING 31 DECEMBER 2006
AND 31 DECEMBER 2007**

We have reviewed the consolidated profit forecasts of StemLife, its subsidiaries and associated company (collectively referred as “the Group”) for the financial year ending 31 December 2006 and 31 December 2007 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the International Standards on Auditing 810 applicable to the review of forecasts. The profit forecasts have been prepared for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid up share capital of StemLife consisting 165,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad (“Securities Exchange”) and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecasts, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the six months ended 30 June 2006. The Directors of StemLife are solely responsible for the preparation and presentation of the forecasts and the assumptions on which the forecasts are based.

Forecasts, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecasts are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation could be material.

11. FINANCIAL INFORMATION (Cont'd)

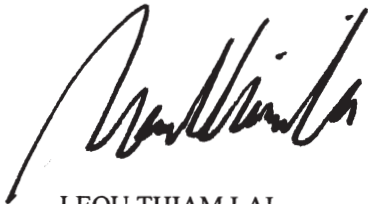
Subject to the matters stated in the preceding paragraphs :-

- i. nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit forecasts; and
- ii. in our opinion, the profit forecasts, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the six months ended 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

11. FINANCIAL INFORMATION (Cont'd)

STEMLIFE GROUP
CONSOLIDATED PROFIT FORECASTS FOR THE YEAR ENDING 31 DECEMBER 2006
AND 31 DECEMBER 2007

The Board of Directors of StemLife forecasts, that based on the bases and assumptions set out below, the consolidated profit forecasts of the Group for the financial year ending 31 December 2006 and 31 December 2007 are as follows:-

Year ended 31 December		Forecast 2006 RM'000	Forecast 2007 RM'000
Turnover		13,878	18,226
Gross profit		5,941	7,922
Consolidated profit before taxation		3,870	6,206
Less: Taxation		(78)	(152)
Consolidated profit after taxation		3,791	6,054
Number of Ordinary Shares of RM0.10 each in issue	'000	165,000	165,000
Proposed dividend per share	Sen	1.00	1.80
Gross Earnings per share #	Sen	2.35	3.76
Net Earnings per share ##	Sen	2.30	3.67
Gross price-earnings multiple *	Times	14.07	8.77
Net price-earnings multiple *	Times	14.36	8.99
Gross Profit Margin	%	42.8	43.5
Pre-tax Profit Margin	%	27.9	34.1
Post-tax Profit Margin	%	27.3	33.2

Calculated based on the consolidated profit before taxation divided by the enlarged share capital of 165,000,000 ordinary shares of RM0.10 each.

Calculated based on the consolidated profit after taxation divided by the enlarged share capital of 165,000,000 ordinary shares of RM0.10 each.

* Calculated based on the issue price of RM0.33 per share pursuant to the Public Issue (per Stage 1 of the Listing Scheme below).

11. FINANCIAL INFORMATION (*Cont'd*)

STEMLIFE GROUP

Principal Bases and Assumptions

The principal bases and assumptions upon which the consolidated profit forecasts of the Group have been made are as follows: -

Specific Assumptions

1. Listing Scheme

Stage 1 - Public Issue ("Public Issue")

StemLife will implement a public issue of 40,000,000 new ordinary shares of RM0.10 each ("StemLife Shares") at an issue price of RM0.33 per Share ("Public Issue Shares") to the eligible directors, employees and customers of StemLife and its subsidiary companies, identified investors, and the Malaysian public ("Public Issue").

The issued and paid-up share capital of StemLife will increase to RM16,500,000 comprising 165,000,000 StemLife Shares upon completion of the Public Issue.

The share premium of RM0.23 arising from the sale of Public Issue Shares pursuant to the Public Issue will be credited to the Company's share premium account.

All the Public Issue Shares shall rank pari passu in all respects with the existing issued Shares of StemLife including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of the allotment thereof.

On completion of the Public Issue, the issued and fully paid-up share capital of StemLife will increase from RM12,500,000 to RM16,500,000 analysed as follows: -

Issued and fully paid-up share capital	RM'000
Prior to the Public Issue	12,500
Public Issue	4,000
On completion of the Public Issue	<u>16,500</u>

Stage 2 - Listing and Quotation on the MESDAQ Market ("Listing")

Upon completion of the Public Issue, StemLife will seek a listing of and quotation for its entire enlarged issued and paid-up share capital comprising 165,000,000 StemLife Shares on the MESDAQ Market of the Securities Exchange ("Listing").

11. FINANCIAL INFORMATION (Cont'd)**2. Revenue**

(a) The forecasted revenue comprise the following :-

	2006	2007
	RM'000	RM'000
UCBSC Banking	12,318	15,704
PBSC Banking	1,560	2,522
Total	13,878	18,226

(b) The UCBSC Banking revenue forecasted is after taking into account a 5% rejection of the total samples collected and processed due to contamination and/or low cell count of the samples collected.

3. Expenditure

(a) There will be no significant changes in the forecasted direct costs other than those provided.

(b) Major components of direct costs is expected to be as follows :

	2006	2007
	RM'000	RM'000
i. Salaries and allowances	1,696	2,201
ii. Consumables	2,510	3,188
iii. Pathology and testing	832	1,003

4. The average pricing for UCBSC Banking and PBSC Banking for the year ending 31 December 2006 and 2007 will remain unchanged.

5. All trade receivables are collectible and no provision for doubtful debts is required.

6. The forecasted listing expenses of RM2,000,000 will be set off against the share premium account of which RM346,345 was included in Deferred Expenditure as at 30 June 2006.

7. StemLife will continue to benefit from the tax incentives received under Section 4A of the Promotion of Investment Act 1986 upon its successful application for renewal for another five (5) years commencing 7 May 2007 (*the renewal due date*).

11. FINANCIAL INFORMATION (Cont'd)

General Assumptions

1. There will be no significant changes in the principal activities, structure, key management, operating policies and business policies presently adopted by the Group. In respect of accounting policies, the existing accounting standard is applied to the profit forecasts of the Group.
2. There will be no significant changes to the prevailing economic, political, social and market conditions in Malaysia and globally that will materially affect the activities or performance of the Group.
3. There will be no material changes to present legislation or Government regulations, rates and bases of duties, levies and taxes which will materially affect the Group's activities or the markets in which it operates.
4. There will be no major industrial disputes or any abnormal or extraordinary circumstances which will materially affect the Group's operations, sales and supplies.
5. Inflation and foreign currency exchange rates will not fluctuate significantly from the present and forecasted level.
6. Financing facilities will be available to the Group when additional facilities are required. Interest rates will not vary significantly from the present levels.
7. Capital expenditure will be made and incurred as scheduled and there will be no material acquisition or disposal of property, plant and equipment or investments other than those planned and incorporated in the profit forecasts.
8. There will be no material change to sales and related costs forecasted. Generally, the current trend of increasing demand for the services of the Group will be maintained. There will be no significant changes in the labour and other operating costs of the Group.
9. The demand for the Group's services and the Group's market share will be in line with the forecasted level.
10. The Group's services will be constantly updated and enhanced to keep pace with continuing changes in technology, evolving industry standards and emerging client needs and preferences.
11. There will not be any significant loss of the Group's existing customers and business alliances that will materially affect the revenue of the Group.
12. There will be no major breakdown or disruption in the servicing equipments nor will there be any disruption in the supply of materials which will adversely affect the operations of the Group.
13. There will be sufficient supply of skilled and unskilled labour, services and equipment to meet the operational requirements anticipated to be carried out by the Group.
14. The Group will not be engaged in any material litigation and there will be no legal proceedings, which will adversely affect their activities or performance or give rise to any contingent liabilities, which will materially affect their position or business. There will be no material claims.
15. The tax liabilities will be at the prevailing tax rate and all unabsorbed losses and unutilised capital allowances will be agreed and approved by the Inland Revenue Board.

11. FINANCIAL INFORMATION (Cont'd)

11.17 DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT FORECASTS**Forecast for FY ending 31 December 2006**

Turnover is expected to increase to RM13.9 million as compared to RM7.6 million recorded for the FY ended 31 December 2005. This increase of 83% is mainly driven by an expected increase in the number of sign-up cases for UCBSC Banking from 2,973 cases in 2005 to 4,800 cases in 2006. We also expect to generate RM1.6 million from PBSC Banking with expected sign-up cases of 120 for the year.

Gross profit is expected to be RM5.9 million as compared to RM3.9 million recorded for the FY ended 31 December 2005, representing an increase of 53%. This is lower than the percentage increase in turnover, primarily due to an increase in sales and marketing staff and an increase in sales commission for UCBSC Banking.

General and administrative expenses are expected to increase by 37% year-on-year. This is mainly due to an increase in support staff in line with the expected increase in the level of business and an increase in directors' fees to RM420,000 from RM36,000 in the FY ended 31 December 2005.

Overall, we expect to achieve a PBT of RM3.9 million for the FY ending 31 December 2006 after a share of associate company loss of RM250,000.

Forecast for FY ending 31 December 2007

Turnover is expected to increase by 31% to RM18.2 million for the FY ending 31 December 2007, whereby sign-up cases for UCBSC Banking is expected to be 5,760. In addition, we also expect our PBSC Banking business to improve with an expected revenue of RM2.3 million. Gross profit is expected to increase in tandem with revenue to RM7.9 million for the FY ending 31 December 2006.

General and administrative expenses are expected to increase 32% mainly due to an increase in depreciation charges. With the expected turnaround of our business of our associate company's business, we anticipate to achieve a PBT of RM6.2 million for the FY ending 31 December 2007.

Our Directors have reviewed and analysed the reasonableness of the bases and assumptions stated herein after due and careful inquiry in arriving at the consolidated profit forecasts for the FY ending 31 December 2006 and 2007. The consolidated profit forecasts for the FY ending 31 December 2006 and 2007 have been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the Group. Our Directors are of the opinion that the consolidated profit forecasts are reasonable, fair and achievable in the light of the prospects of the industry in which the Group operates, the future plans, strategies and prospects, and the forecast level of gearing, liquidity and working capital requirements of the Group.

11. FINANCIAL INFORMATION (Cont'd)

11.18 SENSITIVITY ANALYSIS

The following sensitivity analysis is prepared by Management and is prepared based on the consolidated profit forecasts assumptions as set out in Section 11.16 of this Prospectus and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in selling price, sales volume and cost of sales. Notwithstanding the impact of the variations in selling price, sales volume and cost of sales, there may exist other factors which have not been taken into account, which variations may have a significant impact, either positively or negatively, on our financial results. The sensitivity analysis is as follows:

11.18.1 Variations in Selling Price

	Forecast FY ending 31 December 2006		Forecast FY ending 31 December 2007	
	Revenue RM'000	PAT RM'000	Revenue RM'000	PAT RM'000
Up 10%	15,266	5,179	20,049	7,877
Up 5%	14,572	4,485	19,138	6,966
Base case	13,878	3,791	18,226	6,054
Down 5%	13,184	3,097	17,314	5,143
Down 10%	12,490	2,404	16,404	4,232

11.18.2 Variations in Sales Volume

	Forecast FY ending 31 December 2006		Forecast FY ending 31 December 2007	
	Revenue RM'000	PAT RM'000	Revenue RM'000	PAT RM'000
Up 10%	15,266	4,385	20,049	6,763
Up 5%	14,572	4,088	19,138	6,409
Base case	13,878	3,791	18,226	6,054
Down 5%	13,184	3,494	17,314	5,700
Down 10%	12,490	3,197	16,404	5,345

11.18.3 Variations in Cost of Sales

	Forecast FY ending 31 December 2006		Forecast FY ending 31 December 2007	
	Revenue RM'000	PAT RM'000	Revenue RM'000	PAT RM'000
Up 10%	13,878	2,998	18,226	5,024
Up 5%	13,878	3,394	18,226	5,539
Base case	13,878	3,791	18,226	6,054
Down 5%	13,878	4,188	18,226	6,570
Down 10%	13,878	4,585	18,226	7,085

11. FINANCIAL INFORMATION (Cont'd)

11.19 DIVIDEND FORECASTS

We did not declare any dividends for the FY ended 31 December 2005. The dividend forecasts for the FY ending 31 December 2006 and 2007 are as follows:

	Forecast FY ending 31 December 2006	Forecast FY ending 31 December 2007
Gross dividend per StemLife Share (sen)	1.00	1.80
Net dividend per StemLife Share (sen)	1.00	1.80
Gross dividend yield based on the issue price of RM0.33 per StemLife Share (%)	3.03	5.45
Net dividend yield based on the issue price of RM0.33 per StemLife Share (%)	3.03	5.45
Gross dividend cover (times)	2.30	2.04
Net dividend cover (times)	2.30	2.04

Our Board anticipates declaring dividends of approximately RM1.65 million and RM2.97 million for the FY ending 31 December 2006 and 2007. Thereafter, our Board shall propose dividend payments up to 50% of our PAT for the year, subject to the availability of profits and after considering the capital and cash flow requirements of the Group.

However, it is our policy to recommend dividends to allow our shareholders to participate in profits while leaving adequate reserves for the future growth of the Group. Dividends will be paid subject to the following:

- (i) assessment by our Directors of the financial conditions including but not limited to the Group's cash flow position prevailing at that point in time;
- (ii) availability of tax credit for franking of dividends pursuant to Section 108 of the Income Tax Act, 1967; and
- (iii) future capital requirements in employing internally generated funds.

The declaration and payment of dividends are subject to the approval of our shareholders on the recommendation of the Board.