



Little Miracles. Stem Cells.

**STEMLIFE BERHAD**  
**(Company No: 566770-D)**  
**Incorporated in Malaysia**

**QUARTERLY REPORT**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2009**  
**(The figures have not been audited)**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2009 (RM'000)	Preceding Year Quarter 30.06.2008 (RM'000)	Current Year To Date 30.06.2009 (RM'000)	Preceding Year Corresponding Period 30.06.2008 (RM'000)
Revenue	3,691	5,590	6,522	9,202
Costs of sales	(3,278)	(3,510)	(5,831)	(5,696)
Gross profit	<b>413</b>	<b>2,080</b>	<b>691</b>	<b>3,506</b>
Other income	568	260	715	966
Administrative expenses	(1,164)	(1,565)	(2,637)	(3,050)
(Loss) / Profit from operations	<b>(183)</b>	<b>775</b>	<b>(1,231)</b>	<b>1,422</b>
Share of associated company's results	297	5	493	40
Profit / (Loss) before taxation	<b>114</b>	<b>780</b>	<b>(738)</b>	<b>1,462</b>
Taxation	(49)	(56)	(94)	(56)
Profit / (Loss) after taxation	<b>65</b>	<b>724</b>	<b>(832)</b>	<b>1,406</b>
Minority Interests	<b>76</b>	<b>(26)</b>	<b>124</b>	<b>(26)</b>
Profit / (Loss) attributable to shareholders	141	698	(708)	1,380
Gross earnings/ loss per share ("EPS")/ ("LPS") / (sen)	0.07	0.47	(0.45)	0.88
Basic- Net EPS/ LPS (sen)	0.09	0.42	(0.43)	0.84
Diluted - Net EPS/ LPS (sen)	0.09	0.42	(0.43)	0.84
Effective Tax Rate (%)	42.98	7.18	na	3.83

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008.

Note: \* Please refer to note A2 for disclosure on change in revenue recognition policy and note B1 for impact of changes in revenue recognition policy.



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 (The figures have not been audited)

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>Unaudited As at end of Current Quarter 30.06.2009 (RM'000)</b>	<b>Audited As at Preceding Financial Year Ended 31.12.2008 (RM'000)</b>
<b><u>Non-current assets</u></b>		
Property, plant and equipment	6,107	6,292
Investments	7,726	7,233
<b><u>Current assets</u></b>		
Inventories	735	1,068
Trade receivables	4,139	6,295
Other receivables and deposits	555	1,131
Short term investment	3,000	3,000
Tax Recoverables	-	30
Cash and bank balances	38,408	33,941
	<b>46,837</b>	<b>45,465</b>
<b><u>Current Liabilities</u></b>		
Trade payables	424	326
Advance payment	20,688	17,832
Other payables and accruals	993	1,405
Taxation	-	30
	<b>22,105</b>	<b>19,593</b>
<b>Net current assets</b>	<b>24,732</b>	<b>25,872</b>
<b>Net assets</b>	<b>38,565</b>	<b>39,397</b>
<b>Financed by:</b>		
Share capital	16,500	16,500
Reserves	20,327	21,035
<b>Shareholders' funds</b>	<b>36,827</b>	<b>37,535</b>
Minority Interest	1,738	1,862
<b>Total Equity</b>	<b>38,565</b>	<b>39,397</b>
<b>Net asset per share attributable to ordinary equity holders of the parent (sen)</b>	<b>22.32</b>	<b>22.75</b>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008.



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### QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2009

(The figures have not been audited)

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and paid- up share capital RM'000	Share premium RM'000	Exchange Reserve RM'000	Unappropriated profit RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Balance as at 1 January 2009	16,500	11,698	(3)	9,340	37,535	1,862	39,397
Net loss for the period	-	-	-	(708)	(708)	-	(708)
Minority interest	-	-	-	-	-	(48)	(48)
<b>Balance as at 30 June 2009</b>	<b>16,500</b>	<b>11,698</b>	<b>(3)</b>	<b>8,632</b>	<b>36,827</b>	<b>1,738</b>	<b>38,565</b>
Balance as at 1 January 2008	16,500	11,698	-	9,674	37,872	-	37,872
Net profit for the period	-	-	-	1,380	1,380	-	1,380
Minority interest						1,875	1,875
<b>Balance as at 30 June 2008</b>	<b>16,500</b>	<b>11,698</b>	<b>-</b>	<b>10,355</b>	<b>39,252</b>	<b>1,875</b>	<b>41,127</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008.



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**QUARTERLY REPORT**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2009**

(The figures have not been audited)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Current Year To Date Ended 30.06.2009 (RM'000)</b>	<b>Corresponding Year To Date Ended 30.06.2008 (RM'000)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash Inflow</i>		
Receipts from customers	11,534	14,641
<i>Cash Outflow</i>		
Payment to suppliers	5,141	5,878
Payment for taxation	94	1
Payment for overheads	2,175	4,147
	7,410	10,026
<b>Net cash flow from operating activities</b>	<b>4,124</b>	<b>4,525</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of properties, plants and equipments	<b>(370)</b>	<b>(1,519)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<i>Cash Inflow</i>		
Proceeds from issuance of shares	-	1,850
Amount owing (to)/by associated company	(2)	11
Other income	715	966
<b>Net cash flow from financing activities</b>	<b>713</b>	<b>2,827</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,467</b>	<b>5,923</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>36,941</b>	<b>29,165</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>41,408</b>	<b>35,088</b>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008.



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**QUARTERLY REPORT**  
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**(The figures have not been audited)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**PART A – EXPLANATORY NOTES PURSUANT TO FRS 134**

**A 1. BASIS OF PREPARATION**

The unaudited interim financial statements have been prepared in accordance with the FRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Part K, Rule 9.22 (Appendix 9B) of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Securities Exchange”) for the ACE Market (formerly known as the MESDAQ Market).

The unaudited interim financial report should be read in conjunction with the audited financial statements of StemLife and its subsidiary and associated companies (“the Group”) for the financial year ended 31 December 2008. These explanatory notes attached provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

**A 2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

The Group has not adopted FRS 130 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The Group changed the basis of revenue recognition from recognizing revenue upon signed-up date to recognizing revenue upon the client’s actual delivery of the child. This better reflect when actual service is provided.

**A 3. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report on the financial statements for the financial year ended 31 December 2008 was not qualified.

**A 4. Seasonal and Cyclical Factors**

The Group’s business operation results were not affected by any seasonal or cyclical factors.

**A 5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow during the current financial quarter under review, that are unusual by reason of their nature, size or incidence.



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**A 6. Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years, which have a material effect on the current financial quarter under review.

**A 7. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial quarter under review.

**A 8. Dividends Paid**

There were no dividends paid in the current financial quarter.

**A 9. Segmental Information**

The Group operates predominantly in Malaysia and is principally involved in the provision of stem cell banking services. As such, the financial information by geographical and industry segments of the Group's operations are not available for presentation.

**A 10. Valuation of Property, Plant and Equipment**

There has been no valuation on any of the Group's property, plant and equipment during the current financial quarter under review.

**A 11. Subsequent Events**

There were no material events subsequent to the end of the current financial quarter under review that has not been reflected.

**A 12. Changes in the Composition of the Group**

There are no changes in the composition of the Group during the current financial quarter under review.

**A 13. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in the contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2008.



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### QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2009 (The figures have not been audited)

#### NOTES TO THE INTERIM FINANCIAL STATEMENTS

#### PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF THE ACE MARKET

##### B 1. PERFORMANCE REVIEW

The Group posted revenue of approximately RM3.691 million for the financial quarter under review (Q209) against RM5.59 million in the preceding year corresponding quarter (Q208). This represents a decrease of 33.97% and the drop was mainly due to the lower number of new signed up cases in Q209 as compared to Q208 (decreases of approximately 31%); change in the Group's basis in recognizing revenue, i.e. from upon signed up date to actual delivery date, effective 1 January 2009 and lower net revenue per new signed up case as compared to 2Q08. The impact from the change in the basis of revenue recognition was approximately RM1.1 million.

Gross profit for Q209 was approximately RM0.41 million as compared to Q208 of approximately RM2.08 million, a decrease of approximately RM 1.67 million or 80%. The decrease is primarily due to the lower net revenue per new signed up case as compared to 2Q08 and the change in the Group's basis of revenue recognition. The Group would have maintained its gross margin if there was no change in the basis of revenue recognition.

The Group registered a profit after tax for the quarter under review of approximately RM0.11 million compared to a profit of RM0.78 million in Q208, a decrease of approximately RM0.67 million. The lower profit after tax is due to the lower net revenue per new signed up case as compared to 2Q08 and the change in the Group's basis of revenue recognition but benefitted from a lower administrative expenses as compared to Q208.

The impact of the changes in the basis of revenue recognition in 2009 is tabulated as follows:

	Current Year Quarter 30 June 2009			Current Year To Date 30 June 2009		
	As reported RM'000	Effect of the change RM'000	Restated before change RM'000	As reported RM'000	Effect of the change RM'000	Restated before change RM'000
Revenue	3,691	1,100	4,791	6,522	1,100	7,622
Profit / (Loss) before taxation	114	1,100	1,214	(738)	1,100	362
Profit / (Loss) after taxation	65	1,100	1,165	(832)	1,100	268
Gross earning per share (sen)	0.07	0.67	0.74	(0.45)	0.67	0.22
Basic net earning per share (sen)	0.09	0.67	0.76	(0.43)	0.67	0.36

The change in the basis of revenue recognition has no effect for the corresponding periods (Q208 and Year to Date 08).



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**B 2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	<b>Q2 2009 RM'000</b>	<b>Q1 2009 RM'000</b>
Revenue	3,691	2,831
Profit / (Loss) Before Tax (PBT)	<b>114</b>	<b>(852)</b>

For the quarter under review, the Group recorded a revenue of approximately RM3.7 million compared to approximately RM2.8 million recorded in the preceding quarter (Q109) representing an increase of 30.38%. The increase in revenue is a result of the change in the Group's basis in recognizing revenue from upon signed up date to actual delivery date. If there is no change in the basis of revenue recognition, the revenue recorded for Q209 as compared to Q109 will be similar.

The Group recorded a profit before tax of RM114,000 compared to a loss before tax of RM852,000 in Q109. The difference is due to the effect of the change in the basis of revenue recognition and also lower administrative expenses recorded in Q209 against Q109.

The effect of the change in the basis of revenue recognition is as shown in B1 above.

**B 3. PROSPECTS OF THE GROUP**

The Directors of StemLife are of the opinion that the Group's results for the financial year ending 31 December 2009 will be tested in view of the current uncertainty in the global economy and financial system.

**B 4. VARIANCE OF ACTUAL AND FORECAST PROFIT**

The Group did not issue any profit forecast for the financial period or year ending 31 December 2009 and therefore information on variance from profit forecast is not applicable.

**B 5. TAXATION**

The taxation figures are as follows:

	<b>Current Quarter (RM'000)</b>	<b>Cumulative Year to Date (RM'000)</b>
Estimated current tax payable	49	94

The statutory corporate income tax rate applicable to StemLife is 26%. However, the company's income mainly being derived from approved BioNexus activities, which involves its cord blood and peripheral blood stem cells banking activities are not subjected to income tax. The income tax payable recorded for the period is a result of other income and profits of other subsidiaries which are subjected to Malaysian and Thailand corporate income tax.





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**B 6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sales of any unquoted investments and/or properties for the current financial quarter and financial year to date.

**B 7. PURCHASE OF QUOTED SECURITIES**

There were no purchases of quoted securities during the financial period under review.

**B 8. STATUS OF CORPORATE PROPOSALS**

There is no corporate proposal announced but not completed as at the date of this report.

**B 9. STATUS OF UTILISATION OF LISTING PROCEEDS**

StemLife was listed on 17 October 2006 (“Date of Listing”). The gross proceeds of RM13,200,000 from the public issue are expected to be fully utilised by the Group by 16 October 2009, as follows:

Purpose	Proposed Utilisation RM'000	Intended Timeframe for Utilisation	Actual Utilisation RM'000	Balance of amount allocated RM'000	%	Explanations
Third laboratory	2,600	Within three (3) years from Date of Listing	-	2,600	100.0	^
Laboratory equipments	3,000	Within three (3) years from Date of Listing	899	2,101	70.0	^
Logistics expansion	600	Within three (3) years from Date of Listing	230	370	61.7	^
Branches expansion	2,500	Within three (3) years from Date of Listing	528	1,972	78.9	^
Working capital	2,500	-	2,998	(498)*	-	*
Listing expenses	2,000	-	1,502	498	-	*
	<b>13,200</b>		<b>6,157</b>	<b>7,043</b>	53.4	

*Notes:*

^ The approved timeframe for utilization is 3 years from the date of listing.

\* The under utilization of the listing expenses was adjusted to working capital and utilised fully in the 1<sup>st</sup> quarter 2007.



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**B 10. BORROWINGS AND DEBT SECURITIES**

As at the current period under review, the Group does not have any borrowings and debt securities.

**B 11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at the date of this report, there are no off balance sheet financial instruments.

**B 12. MATERIAL LITIGATIONS**

As at the date of this report, there are no material litigations against StemLife and its subsidiary companies or taken by StemLife and its subsidiary companies except for the following:

- (1) Suit against Bristol Myers Squibb Sdn Bhd ("BMS") and Arachnid Sdn Bhd ("ASB")
  - (i) As reported earlier in the 2nd Quarter Report for the financial period ended 30 June 2008, the suit was filed by the Company in the Kuala Lumpur High Court on 22 May 2008 against BMS and ASB for defamatory articles posted on the MeadJohnson Sdn Bhd's website. The Company has sought relief by way of an injunction and damages.
  - (ii) BMS and ASB have on 26 September 2008 and 28 October 2008 respectively filed applications to strike out the Company's claim on, inter alia, the basis that it discloses no cause of action against them. The Company's solicitors have filed Affidavits in Reply to the said applications on 30 January 2009.
  - (iii) BMS had also on 3 November 2008 amended its Statement of Defence and Counter Claim. As the amendment has no significant effect on the Company's cause of action and its claim against BMS, the Company's solicitors have not filed any amendments to the Company's Reply to Defence and Counterclaim.
  - (iv) At the scheduled hearing of the suit for case management of BMS and ASB's applications to strike out the Company's claim on 17 February 2009, the Court directed as follows:
    - (a) In respect of ASB's striking out application, counsels for both ASB and the Company are to file written submissions on 3 April 2009 and the hearing of the applications be fixed for 21 April 2009.
    - (b) With regard to BMS's striking out application, the hearing is now fixed for 23 July 2009.
  - (v) The Company's suit against ASB was struck off by the High Court on 21 April 2009. The Company has appealed against the said decision on 30 April 2009. It is still waiting for a hearing date to be fixed.
  - (vi) At the hearing of BMS's application on 23 July 2009 the High Court struck out the Company's suit against it. The Company has on 31 July 2009 filed an appeal against the said decision.
  - (vii) The Court of Appeal has yet to fix hearing dates for both the appeals against ASB and BMS respectively.



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- (2) Suit against Cryocord Sdn Bhd ("CC") and Esther Ho Sea Wai ("EH")
  - (i) The Company had on 11 September 2008 filed a suit in the Kuala Lumpur High Court for injunction and damages against CC and EH for defamatory statements made against the Company.
  - (ii) The Company's solicitors have effected service of the Writ and Statement of Claim against CC's addresses on 12 and 13 November 2008. EH had been served with the Writ and Statement of Claim on 19 November 2008.
  - (iii) The solicitors for CC and EH had filed their Statement of Defence on 6 January 2009. The Company's solicitors have filed its Reply to Defence on 20 February 2009.
  - (iv) The hearing of the case management of the matter is fixed for 29 May 2009.
  - (v) At the hearing of the case management on 29 May 2009, the High Court directed the parties to prepare bundle of documents and pleadings, statements of agreed facts and issues to be tried. It has fixed 11 September 2009 for the hearing of the 2<sup>nd</sup> case management of the suit.
  
- (3) Suit against Tan Yen Nee ("TYN") and Cellsafe International Sdn Bhd ("CSI")
  - (i) The Company had filed a suit in the Kuala Lumpur High Court on 11 August 2008 against CSI and TYN for injunction and damages for defamatory statements made against the Company.
  - (ii) The Company had filed an amendment to its Statement of Claim on 17 October 2008. The amended Writ and Statement of Claim was served on CSI and TYN on 12 and 13 November 2008 respectively.
  - (iii) The solicitors for TYN and CSI have filed an application to strike out the Company's claim and for leave to defer the filing of Statement of Defense pending the disposal of the striking out application. The solicitors for the Company have filed its affidavit in reply on 20 February 2009. The hearing is scheduled for 1 April 2009 and the Court directed the parties to finalise all affidavits by 19 May 2009.
  - (iv) On 19 May 2009, the case management of TYN and CSI's application to strike out was scheduled for 5 August 2009.
  - (v) On 5 August 2009, the High Court directed the parties to prepare and hand over their respective written submissions on 15 September 2009 and scheduled the hearing date of TYN and CSI's application to strike out for 8 October 2009.

**B 13. DIVIDENDS**

No dividends were declared or paid during the quarter or the financial year to date.



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**B 14. EARNINGS PER SHARE (“EPS”)**

i. Basic EPS

The basic EPS is calculated by dividing the net earnings attributable to shareholders for the period by the weighted average number of ordinary shares in issue during the period.

	<b>Current Year Quarter 30.06.2009 (RM'000)</b>	<b>Current Year To Date 30.06.2009 (RM'000)</b>
Net profit / (loss) attributable to ordinary shareholders	141	(708)
Weighted average number of ordinary shares of RM0.10 each in issue ('000s)	165,000	165,000
Basic earning / (loss) per share (sen)	0.09	(0.43)

ii. Diluted EPS

The company does not have any convertible shares or convertible financial instruments for the current financial quarter and financial year to date.

**B 15. AUTHORISED FOR ISSUE**

The interim financial statements were authorized for issue by the Board of Directors of StemLife in accordance with a resolution of the directors dated 19 August 2009.

By Order of the Board

Laang Jhe How (MIA 25193)  
Company Secretary  
20 August 2009