



The Stem Cell Specialist.

STEMLIFE BERHAD

(Company No: 566770-D)

Incorporated in Malaysia

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2010 (RM'000)	Preceding Year Quarter 30.09.2009 (RM'000)	Current Year To Date 30.09.2010 (RM'000)	Preceding Year Corresponding Period 30.09.2009 (RM'000)
Revenue	4,494	4,331	11,953	10,854
Costs of Sales	(3,093)	(3,384)	(9,187)	(9,215)
Gross Profit	1,401	947	2,766	1,639
Other Income	389	160	1,172	875
Administrative Expenses	(1,231)	(1,270)	(3,685)	(3,908)
Profit / (Loss) from Operations	559	(163)	253	(1,394)
Share of Associated Company's Results	(159)	622	(195)	1,115
Profit / (Loss) Before Taxation	400	459	58	(279)
Taxation	(15)	(49)	(57)	(143)
Profit / (Loss) After Taxation	385	410	1	(422)
Minority Interests	49	43	143	167
Profit / (Loss) Attributable to Shareholders	434	453	144	(255)
Basic earnings/ (loss) per share ("EPS") / ("LPS") (sen)	0.26	0.27	0.09	(0.15)
Diluted – EPS/ (LPS) (sen)	0.26	0.27	0.09	(0.15)
Effective Tax Rate (%)	3.75	10.68	98.28	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.

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CONDENSED CONSOLIDATED BALANCE SHEET

	As at End of Current Quarter 30.09.2010 (RM'000)	Audited As at Preceding Financial Year Ended 31.12.2009 (RM'000)
<u>Non-Current Assets</u>		
Property, Plant and Equipment	5,652	5,983
Investments	5,492	5,688
Net Non-Current Assets	11,144	11,671
<u>Current Assets</u>		
Inventories	844	646
Trade Receivables	9,895	6,929
Other Receivables and Deposits	822	771
Short Term Investment	-	3,000
Tax Recoverables	137	137
Cash and Bank Balances	48,305	38,973
	60,003	50,456
<u>Current Liabilities</u>		
Trade Payables	493	331
Advance Payment	36,629	25,292
Other Payables and Accruals	905	1,735
	38,027	27,358
Net Current Assets	21,976	23,098
NET ASSETS	33,120	34,769
Financed by:		
Share capital	16,500	16,500
Reserves	15,113	16,619
Shareholders' Funds	31,613	33,119
Minority Interest	1,507	1,650
TOTAL EQUITY	33,120	34,769
Net Asset per Share Attributable to Ordinary Equity Holders of the Parent (sen)	19.16	20.07

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.

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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 2010	16,500	11,698	51	4,870	33,119	1,650	34,769
Net Profit for the Period	-	-	-	144	144	-	144
Dividends Paid	-	-	-	(1,650)	(1,650)	-	(1,650)
Minority Interest	-	-	-	-	-	(143)	(143)
Balance as at 30 September 2010	16,500	11,698	51	3,364	31,613	1,507	33,120
Balance as at 1 January 2009	16,500	11,698	(3)	9,340	37,535	1,862	39,397
Net Loss for the Period	-	-	-	(255)	(255)	-	(255)
Dividends Paid	-	-	-	(1,650)	(1,650)	-	(1,650)
Minority Interest	-	-	-	-	-	(167)	(167)
Balance as at 30 September 2009	16,500	11,698	(3)	7,435	35,630	1,695	37,325

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 2009.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date Ended 30.09.2010 (RM'000)	Corresponding Year To Date Ended 30.09.2009 (RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash Inflow</i>		
Receipts from Customers	20,325	16,628
<i>Cash Outflow</i>		
Payment to Suppliers	8,830	8,430
Payment for Taxation	57	137
Payment for Overheads	4,010	2,942
	12,897	11,509
Net Cash Flow from Operating Activities	7,428	5,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Properties, Plants and Equipments	(615)	(499)
CASH FLOW FROM FINANCING ACTIVITIES		
<i>Cash Inflow</i>		
Amount Owing by Associated Company	(3)	4
Other Income	1,172	875
	1,169	879
<i>Cash Outflow</i>		
Dividend Paid	(1,650)	(1,650)
Net Cash Flow from Financing Activities	(481)	(771)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,332	3,849
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	41,973	36,941
CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,305	40,790

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



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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 2009. 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 2009.

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 2009.

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

A 3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2009 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.

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.



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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

For the financial year ended 31 December 2009, the Company had on 6 July 2010, paid a total dividend of RM1,650,000 consisting of a first and final tax exempt dividend of 10% which was approved at the Company's Annual General Meeting held on 25 May 2010.

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 2009.



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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 RM4.49 million for the financial quarter under review (Q310) against RM4.33 million in the preceding year corresponding quarter (Q309). This represents an increase of 3.76%, mainly due to the higher enrolment fees per case and higher annual storage fees in Q310 compared to Q309.

Gross profit for Q310 was RM1.40 million as compared to Q309 of RM0.95 million, an increase of RM454K. The increase is primarily due to a lower cost of sales in Q310 as compared to Q309 and increase in annual sign-up fees in Q310.

The Group registered a profit after tax (PAT) for the quarter under review of approximately RM385K compared to a PAT of RM410K in Q309, a decrease of approximately RM25K, due to share of associated company's loss in Q310 against a profit in Q309.

B 2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Q3 2010	Q2 2010
	RM'000	RM'000
Revenue	4,494	3,864
Profit Before Tax (PBT)	400	149
Profit After Tax and Minority Interests (PATMI)	434	187

For the quarter under review, the Group recorded a revenue of RM4.49 million compared to RM3.86 million recorded in the preceding quarter (Q210) representing an increase of 16.0%. This is mainly due to an increase in annual storage fees recognised in Q310 as compared to Q210. The Group registered a PBT of RM400K as compared to a PBT of RM149K recorded in the preceding quarter and a PATMI of RM434K against a PATMI of RM187K in the preceding quarter. The PATMI in Q310 was mainly due to the higher revenue in Q310 against Q210, attributable to the increase in annual storage fees recognized in Q310.



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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 2010 will be tested in view of the current uncertainty in the global economy.

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 2010 and therefore information on variance from profit forecast is not applicable.

B 5. TAXATION

The taxation figures are as follows:

	Current Quarter (RM'000)	Cumulative Year to Date (RM'000)
Estimated current tax payable	15	57

The statutory corporate income tax rate applicable to StemLife is 26%. However, the company's income which is mainly derived from approved BioNexus activities i.e. involving 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.

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.

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B 9. STATUS OF UTILISATION OF LISTING PROCEEDS

StemLife Berhad (“StemLife” or the “Company”) was listed on the ACE Market (formerly known as the MESDAQ Market) on 17 October 2006. The Company raised RM13.2 million from its Initial Public Offering (“IPO”) and the details of utilisation of such proceeds as at 30 September 2010 is as follows:

Purpose	Proposed Utilisation RM'000	Initial Timeframe for Utilisation	Actual Utilisation RM'000	Balance of Amount Allocated RM'000	%	Extended Timeframe for Utilisation	Explanations
Third Laboratory	2,600	Within three (3) years from the Date of Listing i.e. 17 October 2006 (“Date of Listing”)	-	2,600	100.0	By 31 March 2012	^ ##
Laboratory Equipments	3,000	Within three (3) years from Date of Listing	998	2,002	66.7	By 31 March 2012	^ ##
Logistics Expansion	600	Within three (3) years from Date of Listing	600	0	-	By 31 March 2010	^ ##
Branches Expansion	2,500	Within three (3) years from Date of Listing	637	1,863	74.5	By 17 October 2011	^ ##
Working Capital	2,500	-	2,998	(498)*	-	-	*
Listing Expenses	2,000	-	1,502	498*	-	-	*
	13,200		6,735	6,465	49.0		

Notes:

The under utilisation of the listing expenses was adjusted to working capital and utilised fully in the 1st quarter 2007.

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

The Board of Directors had on 20 October 2009 approved and announced the extension of time for the utilisation of the balance of the IPO proceeds in the extended timeframe mentioned.

B 10. BORROWINGS AND DEBT SECURITIES

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

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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.
 - (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 had on 18 August 2010 heard both the appeals against ASB and BMS respectively and allowed both the Company’s appeals. The High Court has now fixed 27 October 2010 for case management.
 - (viii) At the case management hearing on 27 October 2010, the High Court directed the parties to file, inter alia, documents, statement of agreed facts and issues to be tried. It has then scheduled 23 February 2011 for further case management.

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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 2nd case management of the suit.
 - (vi) The Court has fixed 3 September 2010 for further case management.
 - (vii) The hearing of the case management was further adjourned to 29 November 2010 for the parties to comply with the directions of the Court.
- (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.
 - (vi) TYN and CSI’s application to strike out the Company’s claim was dismissed with costs by the Court on 16 October 2009. The Company solicitors had applied for case management for the matter.

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- (vii) The Court has fixed 13 December 2010 for mention and for the Company to file an application for to amend its claim.

- (4) Suit against Kuala Lumpur Sports Medicine Centre Sdn Bhd (“KLSMC”)
 - (i) StemLife Therapeutics Sdn Bhd (“STSB”), a subsidiary of the Company, filed a suit against KLSMC in the Kuala Lumpur High Court on 26 August 2010 for a sum of RM426,500.00 being outstanding fees for services rendered.
 - (ii) KLSMC filed its statement of defense on 12 October 2010.
 - (iii) STSB has on 27 October 2010 filed an application for summary judgment against KLSMC. STSB’s solicitors are still waiting for the extraction of sealed copy of the said application for service on KLSMC together with its supporting affidavit.

B 13. DIVIDENDS

No dividends were declared during the financial quarter under review or the financial period year to date.

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.

	Current Year Quarter 30.09.2010 (RM'000)	Current Year To Date 30.09.2010 (RM'000)
Net Profit Attributable to Ordinary Shareholders	434	144
Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s)	165,000	165,000
Basic Earnings per Share (sen)	0.26	0.09



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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 30 November 2010.

By Order of the Board

Laang Jhe How (MIA 25193)
Company Secretary
30 November 2010