



The Stem Cell Specialist.

STEMLIFE BERHAD

(Company No: 566770-D)

Incorporated in Malaysia

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2011	Preceding Year Quarter 31.03.2010	Current Year To Date 31.03.2011	Preceding Year Corresponding Period 31.03.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	3,841	3,595	3,841	3,595
Costs of Sales	(2,669)	(3,130)	(2,669)	(3,130)
Gross Profit	1,172	465	1,172	465
Other Income	370	309	370	309
Administrative Expenses	(1,146)	(1,221)	(1,146)	(1,221)
Profit / (Loss) from Operations	396	(447)	396	(447)
Share of Associated Company's Results	(79)	(45)	(79)	(45)
Profit / (Loss) Before Taxation	317	(492)	317	(492)
Taxation	(46)	(27)	(46)	(27)
Profit / (Loss) After Taxation	271	(519)	271	(519)
Minority Interests	-	41	-	41
Profit / (Loss) Attributable to Shareholders	271	(478)	271	(478)
Basic profit / (loss) per share [P/(L)PS] (sen)	0.16	(0.29)	0.16	(0.29)
Diluted – P/(L)PS (sen)	0.16	(0.29)	0.16	(0.29)
Effective Tax Rate (%)	n/a	n/a	n/a	n/a

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

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CONDENSED CONSOLIDATED BALANCE SHEET

	As at End of Current Quarter 31.03.2011	Audited As at Preceding Financial Year Ended 31.12.2010
	RM'000	RM'000
<u>Non-Current Assets</u>		
Property, Plant and Equipment	6,130	5,396
Investments	7,352	7,431
Net Non-Current Assets	13,482	12,827
<u>Current Assets</u>		
Inventories	754	756
Trade Receivables	3,274	3,075
Other Receivables and Deposits	990	692
Tax Recoverable	110	110
Cash and Bank Balances	48,436	47,875
	53,564	52,508
<u>Current Liabilities</u>		
Trade Payables	628	434
Advance Payment	35,693	32,430
Other Payables and Accruals	986	1,353
Taxation	34	34
	37,341	34,251
Net Current Assets	16,223	18,257
NET ASSETS	29,705	31,084
Financed by:		
Share capital	16,500	16,500
Reserves	13,205	14,584
TOTAL EQUITY	29,705	31,084
Net Asset per Share Attributable to Ordinary Equity Holders of the Parent (sen)	18.00	18.84

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and Paid-up Share Capital	Share Premium	Exchange Reserve	Unappropriated Profit	Total	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01 January 2011	16,500	11,698	43	2,843	31,084	-	31,084
Net Profit for the Period	-	-	-	271	271	-	271
Dividends Paid	-	-	-	(1,650)	(1,650)	-	(1,650)
Balance as at 31 March 2011	16,500	11,698	43	1,464	29,705	-	29,705
Balance as at 01 January 2010	16,500	11,698	51	4,870	33,119	1,650	34,769
Net Loss for the Period	-	-	-	(478)	(478)	-	(478)
Minority Interest	-	-	-	-	-	(41)	(41)
Balance as at 31 March 2010	16,500	11,698	51	4,392	32,641	1,609	34,250

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 2010.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Inflow

Receipts from Customers

Cash Outflow

Payment to Suppliers

Payment for Taxation

Payment for Overheads

Net Cash Flow from Operating Activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Properties, Plants and Equipments

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Inflow

Other Income

Cash Outflow

Dividend Paid

Amount Owing by Associated Company

Net Cash Flow from Financing Activities

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS AT END OF PERIOD

Current Year To Date Ended 31.03.2011	Corresponding Year To Date Ended 31.03.2010
RM'000	RM'000
6,905	6,226
2,345	2,602
46	27
1,648	2,361
4,039	4,990
2,866	1,236
(1,023)	(208)
370	309
1,650	-
2	2
1,652	2
(1,282)	307
561	1,335
47,875	41,973
48,436	43,308

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.



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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011 (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.

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 2010. 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 2010.

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 2010.

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 2010 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

For the financial year ended 31 December 2011, the Company had on 18 March 2011, paid a total dividend of RM1,650,000 being the 1st Interim Tax Exempt dividend of 10%.

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 2010.



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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

Quarter ending 31 March 2011

The Group recorded revenue of RM3.841 million for Q1 - 2011 against RM3.595 million in Q1 - 2010, an increase of RM0.246 million (6.8%). The increase is due to the higher pricing for new signed-up cases in Q1 - 2011 compared to Q1 - 2010 of 22.8% despite a 13% reduction in new signed-up cases. The Group storage fee income also increased by 21.7% in Q1 - 2011 over Q1 - 2010.

Gross profit for Q1 - 2011 was RM1.172 million against RM0.465 million in Q1 - 2010, an increase of RM0.707 million (152%). The increase is due to the better processing fee for signed-up cases in Q1 - 2011. With the lower number of signed-up cases, the consumable and variable cost per signed-up case is also lower.

The Group registered a profit after taxation (PAT) for the quarter under review of approximately RM0.271 million compared to a loss after taxation (LAT) of RM0.519 million in Q1 - 2010, an increase of approximately RM0.790 million, due to higher revenue and lower cost of sale in Q1 - 2011 as compared to Q1 - 2010.

B 2. COMPARISON WITH PRECEDING QUARTER’S RESULTS

	Q1 - 2011	Q4 - 2010
	RM'000	RM'000
Revenue	3,841	4,562
Profit/(Loss) Before Tax [P/(L)BT]	317	(121)
Profit/(Loss) After Tax and Minority Interests [P(L)ATMI]	271	(521)

For the quarter under review, the Group recorded revenue of RM3.841 million compared to RM4.562 million recorded in the preceding quarter (4Q - 2010) representing decrease of 15.8%. This is due to lower processing fees as a result of 15% reduction in new signed up cases recognized and annual storage fees recognised in 1Q - 2011 as compared to Q4 - 2010.

The Group registered a PBT of RM317K as compared to a LBT of RM121K recorded in the preceding quarter and a PATMI of RM271K against a LATMI of RM521K in the preceding quarter. The PATMI in Q1 - 2011 was mainly due to no doubtful debt previous (Q4 – 2010 of RM542K) and also a lower cost of sales and administrative expenses in Q1 - 2011 compared to Q4 - 2010.



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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 2011 will continue to remain at the current level.

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 2011 and therefore information on variance from profit forecast is not applicable.

B 5. TAXATION

The taxation figures are as follows:

	Current Quarter	Cumulative Year to Date
	RM'000	RM'000
Estimated current tax payable	46	46

The statutory corporate income tax rate applicable to StemLife is 25%. 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 31 March 2011 is as follows:

Purpose	Proposed Utilisation	Initial Timeframe for Utilisation	Actual Utilisation	Balance of Amount Allocated	%	Extended Timeframe for Utilisation	Explanations
	RM'000		RM'000	RM'000			
Third Laboratory	2,600	Within three (3) years from the Date of Listing i.e. 17 October 2006 (“Date of Listing”)	-	2,600	100	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	-	-	
Branches Expansion	2,500	Within three (3) years from Date of Listing	1,637	863	34.5	By 17 October 2011	^ ##
Working Capital	2,500	-	2,998	(498)*	-	-	*
Listing Expenses	2,000	-	1,502	498*	-	-	*
	13,200		7,735	5,465	41.4		

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.

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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 sought relief by way of an injunction and damages.
 - (ii) BMS and ASB had 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 disclosed no cause of action against them. The Company's solicitors 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 had no significant effect on the Company's cause of action and its claim against BMS, the Company's solicitors did not file 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 filed written submissions on 3 April 2009 and the hearing of the applications was fixed for 21 April 2009.
 - (b) With regard to BMS's striking out application, the hearing was 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 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 had fixed 27 October 2010 for case management.

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- (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 then scheduled 23 February 2011 for further case management.
 - (ix) The Court has fixed 30 May 2011 for further case management for parties to comply with previous directions.
- (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 had 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 had filed its Reply to Defence on 20 February 2009.
 - (iv) The hearing of the case management of the matter was 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 fixed 11 September 2009 for the hearing of the 2nd case management of the suit.
 - (vi) The Court 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.
 - (viii) As the parties are still in the midst of finalizing the documents to be adduced at the trial the Court gave another date for case management on 13 April 2011. A further date, 31 May 2011, is given for the preparation of documents.
- (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.

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- (iii) The solicitors for TYN and CSI had 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 had filed its affidavit in reply on 20 February 2009. The hearing was 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.
 - (vii) The Court fixed 13 December 2010 for mention and for the Company to file an application for to amend its claim.
 - (viii) The Company filed an application for to amend its claim. At the hearing of the aforesaid application on 22 February 2011, the parties' solicitors submitted written submissions. The Court fixed 8 March 2011 for hearing / clarification. The case management was also fixed for 16 March 2011.
 - (ix) The court allowed the company's application to amend with costs to TYN and CSI. TYN and CSI had filed an appeal against the aforesaid decision. The company solicitors have also appealed against the amendment of costs. The court fixed 6 May 2011 for case management of the appeal. The court has fixed 20 May 2011 for the disposal of the appeal. In the meantime, the case management is scheduled for 27 June 2011.
- (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 had on 27 October 2010 filed an application for summary judgment against KLSMC. STSB's solicitors were still waiting for the extraction of sealed copy of the said application for service on KLSMC together with its supporting affidavit.
 - (iv) The Court fixed 11 April 2011 for parties to file in their respective affidavits in relation to STSB's summary judgment application.
 - (v) The hearing of the case management is scheduled for 13 June 2011.

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B 13. DIVIDENDS

The Board of Directors of the Company had declared a first Interim Tax Exempt Dividend of 10% for the financial year ending 31 December 2011.

The entitlement date and payment date in respect of the aforesaid first Interim Tax Exempt Dividend of 10% are 11 March 2011 and 18 March 2011 respectively.

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 31.03.2011	Current Year To Date 31.03.2011
Net Profit Attributable to Ordinary Shareholders (RM'000)	271	271
Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s)	165,000	165,000
Basic Earnings per Share (sen)	0.16	0.16

(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 23 May 2011.



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B 16. DISCLOSURE OF REALISED AND UNREALISED RETAINED PROFITS

The breakdown of accumulative earning of the Group and the Company as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
- Realised	803	2,102
- Unrealised	-	-
	<hr/>	<hr/>
	803	2,102
Total share of retained earnings from associated company		
- Realised	713	792
	<hr/>	<hr/>
	1,516	2,894
Less: Consolidation adjustments	52	52
	<hr/>	<hr/>
Retained earnings per financial statements	1,464	2,842
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By Order of the Board

Laang Jhe How (MIA 25193)
Company Secretary
23 May 2011