



The Stem Cell Specialist.

**STEMLIFE BERHAD**

(Company No: 566770-D)

Incorporated in Malaysia

**QUARTERLY REPORT**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2011	Preceding Year Quarter 30.06.2010	Current Year To Date 30.06.2011	Preceding Year Corresponding Period 30.06.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	4,520	3,864	8,361	7,459
Costs of Sales	(2,941)	(2,964)	(5,609)	(6,093)
<b>Gross Profit</b>	<b>1,579</b>	<b>900</b>	<b>2,752</b>	<b>1,366</b>
Other Income	359	474	729	783
Administrative Expenses	(1,331)	(1,233)	(2,478)	(2,455)
<b>Profit / (Loss) from Operations</b>	<b>607</b>	<b>141</b>	<b>1,003</b>	<b>(306)</b>
Share of Associated Company's Results	(73)	8	(152)	(36)
<b>Profit / (Loss) Before Taxation</b>	<b>534</b>	<b>149</b>	<b>851</b>	<b>(342)</b>
Taxation	(92)	(15)	(138)	(42)
<b>Profit / (Loss) After Taxation</b>	<b>442</b>	<b>134</b>	<b>713</b>	<b>(384)</b>
Minority Interests	-	53	-	94
<b>Profit / (Loss) Attributable to Shareholders</b>	<b>442</b>	<b>187</b>	<b>713</b>	<b>(290)</b>
<b>Basic profit / (loss) per share [P/(L)PS] (sen)</b>	<b>0.27</b>	<b>0.11</b>	<b>0.43</b>	<b>(0.18)</b>
<b>Diluted – P/(L)PS (sen)</b>	<b>0.27</b>	<b>0.11</b>	<b>0.43</b>	<b>(0.18)</b>
<b>Effective Tax Rate (%)</b>	<b>17.23</b>	<b>10.07</b>	<b>16.20</b>	<b>n/a</b>

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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**QUARTERLY REPORT**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

(The figures have not been audited)

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>As at End of Current Quarter 30.06.2011</b>	<b>Audited As at Preceding Financial Year Ended 31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-Current Assets</u></b>		
Property, Plant and Equipment	5,850	5,396
Investments	7,279	7,431
<b>Net Non-Current Assets</b>	<b>13,129</b>	<b>12,827</b>
<b><u>Current Assets</u></b>		
Inventories	845	756
Trade Receivables	3,011	3,075
Other Receivables and Deposits	1,666	692
Amount due from Associated Company	55	-
Tax Recoverable	110	110
Cash and Bank Balances	49,442	47,875
	<b>55,129</b>	<b>52,508</b>
<b><u>Current Liabilities</u></b>		
Trade Payables	552	434
Advance Payment	38,495	32,430
Other Payables and Accruals	680	1,353
Taxation	34	34
	<b>39,761</b>	<b>34,251</b>
<b>Net Current Assets</b>	<b>15,368</b>	<b>18,257</b>
<b>NET ASSETS</b>	<b>28,497</b>	<b>31,084</b>
<b>Financed by:</b>		
Share capital	16,500	16,500
Reserves	11,997	14,584
<b>TOTAL EQUITY</b>	<b>28,497</b>	<b>31,084</b>
<b>Net Asset per Share Attributable to Ordinary Equity Holders of the Parent (sen)</b>	<b>17.27</b>	<b>18.84</b>

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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(The figures have not been audited)

**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	2,842	31,084	-	31,084
Net Profit for the Period	-	-	-	713	713	-	713
Dividends Paid	-	-	-	(3,300)	(3,300)	-	(3,300)
<b>Balance as at 30 June 2011</b>	<b>16,500</b>	<b>11,698</b>	<b>43</b>	<b>257</b>	<b>28,497</b>	<b>-</b>	<b>28,497</b>
Balance as at 01 January 2010	16,500	11,698	51	4,870	33,119	1,650	34,769
Net Loss for the Period	-	-	-	(290)	(290)	-	(290)
Minority Interest	-	-	-	-	-	(94)	(94)
<b>Balance as at 30 June 2010</b>	<b>16,500</b>	<b>11,698</b>	<b>51</b>	<b>4,580</b>	<b>32,829</b>	<b>1,556</b>	<b>34,385</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 2010.

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**QUARTERLY REPORT**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

(The figures have not been audited)

**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**

Amount Due to Directors

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**

<b>Current Year To Date Ended 30.06.2011</b>	<b>Corresponding Year To Date Ended 30.06.2010</b>
<b>RM'000</b>	<b>RM'000</b>
14,491	12,901
5,328	5,598
138	42
3,806	3,141
9,272	8,781
<b>5,219</b>	<b>4,120</b>
<b>(1,025)</b>	<b>(653)</b>
-	6
728	783
728	789
3,300	-
55	2
3,355	2
<b>(2,627)</b>	<b>787</b>
<b>1,567</b>	<b>4,254</b>
<b>47,875</b>	<b>41,973</b>
<b>49,442</b>	<b>46,227</b>

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 SECOND QUARTER ENDED 30 JUNE 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.

##### **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 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%.

For the financial year ended 31 December 2010, the Company had on 7 June 2011, 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 23 May 2011.

### **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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(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**

###### **Quarter ended 30 June 2011**

The Group recorded revenue of RM4.52 million in Q2 – 2011 against RM3.864 million in Q2 – 2010, an increase of 17%. The increase is primarily due to the higher processing fee income in Q2 - 2011, which shows an increase of 25%, due to the higher pricing per new signed-up case and storage income in 2011 against the same period in 2010, an increase of 19%. However, new signed-up cases decreased by 8% compared to the corresponding period in 2010.

Gross profit in Q2 – 2011 was 1.579 million as compared to RM900,000 in Q2 – 2010, an increase of 75%. This is due to improved margin the higher pricing per new signed-up case and increase in storage fee income with cost of sale per new signed-up case remains relatively unchanged.

The Group recorded a profit after taxation of RM442,000 for Q2 – 2011 against RM134,000 in Q2 – 2010, an increase of 230% due to better margins and higher storage fee income.

###### **6 months ended 30 June 2011**

For the 6 months ended 30 June 2011, the Group recorded revenue of RM8.361 million compared to RM7.459 million for the same period in 2010, an increase of 12.1%. The increase is primarily due to the higher processing fee income in 2011, which shows an increase of 16%, due to the higher pricing per new signed-up case and storage income in 2011 against the same period in 2010, an increase of 22%. However, new signed-up cases decreased by 8% compared to the corresponding period in 2010.

Gross profit for the 6 months ended 30 June 2011 was RM2.752 million against RM1.366 million, an increase of just over 100%. This is due to the higher pricing per new signed-up case, resulting in an improvement in the margin as cost of sale per new signed-up case remains relatively unchanged. The increase in storage income in Q2 – 2011 against Q2 – 2010 also contributed to the increase in the gross profit in Q2 – 2011.

The Group's profit after taxation for the 6 months ended 30 June 2011 was RM713,000 against a loss after taxation of RM384,000 for the same period in 2010. The turnaround was primarily due to better margin from higher pricing per new signed-up case in 2011 against 2010 whilst cost of sales per new signed-up case and administrative expenses remain relatively unchanged.

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

	Q2 - 2011	Q1 - 2011
	RM'000	RM'000
Revenue	4,520	3,841
Profit Before Tax [PBT]	534	317
Profit After Tax and Minority Interests [PATMI]	442	271

For the quarter under review, the Group recorded revenue of RM4.52 million compared to RM3.841 million recorded in the preceding quarter (Q1 - 2011) representing increase of 17.7%. This is due to the higher number of signed up case recognised and annual storage fees recognised in Q2 - 2011 against Q1 - 2011.

The Group registered a PBT of RM534K as compared to a PBT of RM317K recorded in the preceding quarter and a PATMI of RM442K against RM271K in the preceding quarter. The PATMI in Q2 - 2011 was mainly due to higher revenue achieved in Q2 - 2011 compared to Q1 - 2011.

### 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	92	138

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.



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### 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 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 June 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	-	-	-	
Branches Expansion	2,500	Within three (3) years from Date of Listing	2,500	-	-	-	
Working Capital	2,500	-	2,998	(498)*	-	-	*
Listing Expenses	2,000	-	1,502	498*	-	-	*
	<b>13,200</b>	-	<b>8,598</b>	<b>4,602</b>	<b>38.7</b>	-	

Notes:

*The under utilisation of the listing expenses was adjusted to working capital and utilised fully in the 1<sup>st</sup> 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. 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.
  - (iii) 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. 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.
    - (b) With regard to BMS’s striking out application, the hearing was fixed for 23 July 2009. At the hearing of BMS’s application 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.
  - (iv) 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. At the case management hearing, 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 and on 30 May 2011 fixed for further case management, 15 September 2011 so as to enable parties to comply with the remainder of the case management directions.

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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 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) Case management of the matter was fixed for 29 May 2009. 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 2<sup>nd</sup> case management of the suit and fixed 3 September 2010 for further case management and at the hearing, the case management was further adjourned to 29 November 2010 for the parties to comply with the directions of the Court.
  - (v) The Court has on 31 May 2011 fixed 14 September 2011 for case management for parties to revert on whether they are agreeable for the matter to be fixed for mediation as well as the parties’ mutual free date for the mediation.
  
- (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 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 and 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.
  - (v) 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 and the Court fixed 13 December 2010 for mention and for the Company to file an application for to amend its claim.

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- (vi) 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. 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 has on 27 June 2011 fixed 14 September 2011 for further case management.
- (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 Court has on 10 August 2011 scheduled 12 October 2011 for hearing of the Company’s summary application against KLSMC.

**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.

	<b>Current Year Quarter 30.06.2011</b>	<b>Current Year To Date 30.06.2011</b>
Net Profit Attributable to Ordinary Shareholders (RM'000)	442	713
Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s)	165,000	165,000
Basic Earnings per Share (sen)	0.27	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.

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**B 15. 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 is as follows:

	<b>As at 30.06.2011 RM'000</b>	<b>As at 31.12.2010 RM'000</b>
- Realised	(333)	2,102
- Unrealised	-	-
	<hr/>	<hr/>
	(333)	2,102
Total share of retained earnings from associated company		
- Realised	591	792
	<hr/>	<hr/>
	258	2,894
Less: Consolidation adjustments	2	52
	<hr/>	<hr/>
Retained earnings per financial statements	256	2,842
	<hr/>	<hr/>

**B 16. 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 24 August 2011.

By Order of the Board

Laang Jhe How (MIA 25193)  
 Company Secretary  
 24 August 2011