



The Stem Cell Specialist.

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

QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2011	Preceding Year Quarter 30.09.2010	Current Year To Date 30.09.2011	Preceding Year Corresponding Period 30.09.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	4,761	4,494	13,122	11,953
Costs of Sales	(2,962)	(3,093)	(8,572)	(9,187)
Gross Profit	1,799	1,401	4,550	2,766
Other Income	338	389	1,067	1,172
Administrative Expenses	(1,241)	(1,231)	(3,718)	(3,685)
Profit from Operations	896	559	1,899	253
Share of Associated Company's Results	(150)	(159)	(302)	(195)
Profit Before Taxation	746	400	1,597	58
Taxation	(52)	(15)	(190)	(57)
Profit After Taxation	694	385	1,407	1
Minority Interests	-	49	-	143
Profit Attributable to Shareholders	694	434	1,407	144
Basic profit per share (PPS) (sen)	0.42	0.26	0.85	0.09
Diluted – PPS (sen)	0.42	0.26	0.85	0.09
Effective Tax Rate (%)	6.97	3.75	11.90	98.28

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 30.09.2011	Audited As at Preceding Financial Year Ended 31.12.2010
	RM'000	RM'000
<u>Non-Current Assets</u>		
Property, Plant and Equipment	7,545	5,396
Investments	7,129	7,431
Net Non-Current Assets	14,674	12,827
<u>Current Assets</u>		
Inventories	738	756
Trade Receivables	3,071	3,075
Other Receivables and Deposits	1,458	692
Amount due from Associated Company	56	-
Tax Recoverable	110	110
Cash and Bank Balances	51,355	47,875
	56,788	52,508
<u>Current Liabilities</u>		
Trade Payables	393	434
Advance Payment	40,939	32,430
Other Payables and Accruals	905	1,353
Taxation	34	34
	42,271	34,251
Net Current Assets	14,517	18,257
NET ASSETS	29,191	31,084
Financed by:		
Share capital	16,500	16,500
Reserves	12,691	14,584
TOTAL EQUITY	29,191	31,084
Net Asset per Share Attributable to Ordinary Equity Holders of the Parent (sen)	17.69	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	-	-	-	1,407	1,407	-	1,407
Dividends Paid	-	-	-	(3,300)	(3,300)	-	(3,300)
Balance as at 30 September 2011	16,500	11,698	43	950	29,191	-	29,191
Balance as at 01 January 2010	16,500	11,698	51	4,870	33,119	1,650	34,769
Net Loss 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

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 30.09.2011	Corresponding Year To Date Ended 30.09.2010
RM'000	RM'000
21,635	20,325
8,213	8,830
190	57
4,460	4,010
12,863	12,897
8,772	7,428
(3,004)	(615)
1,067	1,172
3,300	1,650
55	3
3,355	1,653
(2,288)	(481)
3,480	6,332
47,875	41,973
51,355	48,305

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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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 being the 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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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 September 2011

The Group recorded revenue of RM4.76 million against RM4.49 million in Q3 – 2010, an increase of 6%. This is primarily due to the higher processing fee income, which shows an increase of 5%, from higher pricing per new signed-up case and new signed-up cases increased by 12% compared to the corresponding period in 2010. Storage income increased by 11% compared to Q3 – 2010.

Gross profit in Q3 – 2011 was RM1.799 million as compared to RM1.401 million in Q3 – 2010, an increase of 28%. This is due to improved margin from higher pricing per new signed-up case and increase in storage fee income while cost of sale per new signed-up case remains relatively unchanged.

The Group recorded a profit after taxation of RM694,000 for Q3 – 2011 against RM385,000 in Q3 – 2010, an increase of 80% due to better margins and higher storage fee income.

9 months ended 30 September 2011

For the 9 months ended 30 September 2011, the Group recorded revenue of RM13.122 million compared to RM11.953 million for the same period in 2010, an increase of 9.8%. This is primarily due to the higher processing fee income in 2011, which shows an increase of 10%, from higher pricing per new signed-up case. New signed-up cases decreased by 4% compared to the corresponding period in 2010. Storage income increased by 14% compared to the corresponding period in 2010.

Gross profit for the 9 months ended 30 September 2011 was RM4.550 million against RM2.766 million, an increase of 64%. This is due to the higher pricing per new signed-up case, resulting in an improvement in the margin and cost of sale per new signed-up case remains relatively unchanged. The increase in storage income in 2011 also contributed to the increase in the gross profit.

The Group's profit after taxation for the 9 months ended 30 September 2011 was RM1.407 million against a profit after taxation of RM600 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

	Q3 - 2011 RM'000	Q2 - 2011 RM'000
Revenue	4,761	4,520
Profit Before Tax [PBT]	746	534
Profit After Tax and Minority Interests [PATMI]	694	442

For the quarter under review, the Group recorded revenue of RM4.761 million compared to RM4.52 million recorded in the preceding quarter (Q2 - 2011) representing increase of 5%. This is due to the higher number of signed up case recognised and annual storage fees recognised in Q3 - 2011 against Q2 - 2011.

The Group registered a PBT of RM746,000 as compared to a PBT of RM534,000 recorded in the preceding quarter and a PATMI of RM694,000 against RM442,000 in the preceding quarter. The PATMI in Q3 - 2011 was mainly due to higher revenue achieved in Q3 - 2011 compared to Q2 - 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	52	190

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	1,153	1,847	61.6	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*	-	-	*
	13,200	-	8,753	4,447	33.7	-	

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. 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.
 - (v) The matter was further adjourned to 7 December 2011 for compliance by the parties of the directions of the Court.

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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 2nd 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.
 - (vi) The matter has been settled in open Court resulting in, inter alia, (a) CC’s issuance of an internal circular to its employees stating that it does not condone the practice of making defamatory remarks against the Company and that in the spirit of professionalism they should refrain from making any defamatory remarks against the Company, and (b) EH tendering an apology in Court to the Company together with the payment of costs.

- (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.



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- (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.
 - (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.
 - (vii) The case management was further adjourned to 9 December 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 and the Court fixed 11 April 2011 for parties to file in their respective affidavits in relation to STSB's Summary Judgment application.
 - (iv) The Court has on 10 August 2011 scheduled 12 October 2011 for hearing of the Company's application for Summary Judgment against KLSMC. At the Summary Judgment hearing, the Court allowed the Company's said summary judgment application against KLSMC with cost and KLSMC had fully paid STSB the full amount claimed and associated cost.

B 13. DIVIDENDS

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

	Current Year Quarter 30.09.2011	Current Year To Date 30.09.2011
Net Profit Attributable to Ordinary Shareholders (RM'000)	694	1,407
Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s)	165,000	165,000
Basic Earnings per Share (sen)	0.42	0.85

(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. 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:

	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
- Realised	511	2,102
- Unrealised	-	-
	<hr/>	<hr/>
	511	2,102
Total share of retained earnings from associated company		
- Realised	441	792
	<hr/>	<hr/>
	952	2,894
Less: Consolidation adjustments	2	52
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Retained earnings per financial statements	950	2,842
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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