



The Stem Cell Specialist.

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

QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------------------|---|---------------------------------------|---|
| | Current Year Quarter 31.12.2011 | Preceding Year Quarter 31.12.2010 | Current Year To Date 31.12.2011 | Preceding Year Corresponding Period 31.12.2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 5,053 | 4,562 | 18,176 | 16,516 |
| Costs of Sales | (2,960) | (3,127) | (11,532) | (12,314) |
| Gross Profit | 2,093 | 1,435 | 6,644 | 4,202 |
| Other Income | 995 | 324 | 2,062 | 1,496 |
| Administrative Expenses | (1,315) | (1,963) | (5,034) | (5,648) |
| Profit / (Loss) from Operations | 1,773 | (204) | 3,672 | 50 |
| Share of Associated Company's Results | (55) | 83 | (357) | (113) |
| Profit / (Loss) Before Taxation | 1,718 | (121) | 3,315 | (63) |
| Taxation | 6 | (56) | (183) | (114) |
| Profit / (Loss) After Taxation | 1,724 | (177) | 3,132 | (177) |
| Minority Interests | - | (344) | - | (200) |
| Profit / (Loss) Attributable to Shareholders | 1,724 | (521) | 3,132 | (377) |
| Basic profit / (loss) per share (sen) | 1.05 | (0.32) | 1.90 | (0.23) |
| Diluted – profit / (loss) per share (sen) | 1.05 | (0.32) | 1.90 | (0.23) |
| Effective Tax Rate (%) | - | - | 18.11 | - |

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



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | As at End of Current Quarter 31.12.2011 | Audited As at Preceding Financial Year Ended 31.12.2010 |
|--|--|--|
| | RM'000 | RM'000 |
| <u>Non-Current Assets</u> | | |
| Property, Plant and Equipment | 14,181 | 5,396 |
| Investments | 7,665 | 7,431 |
| Net Non-Current Assets | 21,846 | 12,827 |
| <u>Current Assets</u> | | |
| Inventories | 743 | 756 |
| Trade Receivables | 2,589 | 3,075 |
| Other Receivables and Deposits | 674 | 692 |
| Amount due from Associated Company | 55 | - |
| Tax Recoverable | 134 | 110 |
| Cash and Bank Balances | 49,315 | 47,875 |
| | 53,510 | 52,508 |
| <u>Current Liabilities</u> | | |
| Trade Payables | 471 | 434 |
| Advance Payment | 43,579 | 32,430 |
| Other Payables and Accruals | 423 | 1,353 |
| Taxation | - | 34 |
| | 44,473 | 34,251 |
| Net Current Assets | 9,037 | 18,257 |
| NET ASSETS | 30,883 | 31,084 |
| Financed by: | | |
| Share capital | 16,500 | 16,500 |
| Reserves | 14,383 | 14,584 |
| TOTAL EQUITY | 30,883 | 31,084 |
| Net Asset per Share Attributable to Ordinary Equity Holders of the Parent (sen) | 18.72 | 18.84 |

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



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CONDENSED CONSOLIDATED STATEMENTS 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 | - | - | - | 3,132 | 3,132 | - | 3,132 |
| Dividends Paid | - | - | - | (3,300) | (3,300) | - | (3,300) |
| Currency Translation Differences | - | - | (33) | - | (33) | - | (33) |
| Balance as at 31 December 2011 | 16,500 | 11,698 | 10 | 2,675 | 30,883 | - | 30,883 |
| Balance as at 01 January 2010 | 16,500 | 11,698 | 51 | 4,870 | 33,119 | 1,650 | 34,769 |
| Net Profit for the Period | - | - | - | (377) | (377) | 200 | (177) |
| Dividends Paid | - | - | - | (1,650) | (1,650) | - | (1,650) |
| Acquisition of subsidiary company | - | - | - | - | - | (1,850) | (1,850) |
| Currency Translation Differences | - | - | (8) | - | (8) | - | (8) |
| Balance as at 31 December 2010 | 16,500 | 11,698 | 43 | 2,843 | 31,084 | - | 31,084 |

The Condensed Consolidated Statements 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 STATEMENTS OF CASH FLOWS

| | Current Year To Date Ended 31.12.2011 | Corresponding Year To Date Ended 31.12.2010 |
|---|---|---|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Inflow | | |
| Receipts from Customers | 29,811 | 27,509 |
| Cash Outflow | | |
| Payment to Suppliers | 10,975 | 11,690 |
| Payment for Taxation | 241 | 106 |
| Payment for Overheads | 5,324 | 5,233 |
| | 16,540 | 17,029 |
| Net Cash Flow from Operating Activities | 13,271 | 10,480 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Properties, Plants And Equipments | 9,916 | 649 |
| | 9,916 | 649 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Inflow | | |
| Dividend Received | - | 245 |
| Amount Owing to Associated Company | - | 2 |
| Other Income | 1,440 | 1,496 |
| | 1,440 | 1,743 |
| Cash Outflow | | |
| Dividend Paid | 3,300 | 1,650 |
| Investment in Subsidiary Company | - | 1,850 |
| Investment in Associated Company | - | 2,172 |
| Amount Owing by Associated Company | 55 | - |
| | 3,355 | 5,672 |
| Net Cash Flow from Financing Activities | (1,915) | (3,929) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,440 | 5,902 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 47,875 | 41,973 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 49,315 | 47,875 |

The Condensed Consolidated Statements of Cash Flows 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

- (i) The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Issues committee (IC) Interpretations which are applicable for the financial period beginning 1 January 2011.

| | |
|-----------------------|---|
| FRS 3 | Business Combination (revised) |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendments to FRS 3 | Business Combinations. Amendments relating to measurement non-controlling interests and un-replaced and voluntarily replaced share-based payment awards |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments. Amendments relating to the fair value measurement using fair value hierarchy and disclosure of liquidity risk |
| Amendments to FRS 7 | Financial Instruments: Disclosures. Amendments relating to clarification of disclosures and transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised FRS |
| Amendments to FRS 101 | Presentation of Financial Statements. Amendment relating to classification of statement of changes in equity |
| Amendments to FRS 121 | The Effects of Changes in Foreign Exchange Rates. Amendment relating to transition requirements for amendments arising as a result of FRS 127 |
| Amendments to FRS 128 | Investment in Associates. Amendment relating to transition requirements for amendments arising as a result of FRS 127 |
| Amendments to FRS 132 | Financial Instruments: Presentation. Amendment relating to transition requirements for contingent consideration from a business combination that occurred before the effective date of revised FRS 3 |
| Amendments to FRS 134 | Interim Financial Reporting. Amendment relating to significant events and transactions |

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Amendments to FRS 139 Financial Instruments: Recognition and Measurement. Amendment relating to transition requirements for contingent consideration from a business combination that occurred before the effective date of revised FRS 3

The adoptions of the above FRSs do not have significant financial impact to the Group.

(ii) New and Revised FRSs, IC Interpretations and Amendments issued but are not yet effective.

On 19 November 2011, the Malaysia Accounting Standards Board (MASB) has issued a new MASB accounting framework, the Malaysian Financial Reporting Standards (MRFS), Improvement to MFRSs and IC interpretations. The MFRS framework and IC Interpretations are to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

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.

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

No dividends have been paid during this quarter.

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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 31 December 2011

The Group recorded revenue of RM5.06 million against RM4.56 million (Q4 – 2010), an increase of 11%. This is primarily due to increase in the storage income which shows an increase of 8% compared to the corresponding quarter. In addition, processing revenue increased by 10% against Q4 – 2010 due to the higher number of new signed-up cases which shows an increase of 18%.

Gross profit was RM2.09 million (Q4 2010 – RM1.44 million) an increase of 46%. The improved margin is due to higher storage income and lower cost of sales by 5% compared to Q4 – 2010. The lower cost of sales is due to lower staff costs by 10% from lower headcounts and lower hospital collection fees by 5%. However, marketing and promotions expenses increased by 42% compared to Q4 – 2010.

Net profit after taxation was RM1.7 million compared to a loss of RM177,000 registered in the corresponding quarter. The reversal to a profit in the current quarter is due to better gross profit margin and a gain on investment of RM623,000 from the restructuring of the HSC Group. In addition, administration expenses is lower by RM648,000 (33%) compared to Q4 – 2010. This is due to a bad debt provision of RM542,000 in the corresponding period while overall administrative expenses remains unchanged.

FY ended 31 December 2011

Revenue for the FY was RM18.2 million against RM16.5 million in FY 2010 an increase of 10%. Processing fee income from new signed-up cases increased by 10% and recurring storage fee income increases by 12%. The increase in processing fee income is due to the slight increase in the number of new clients by 2% over FY 2010 and the effect of higher revenue per signed up case from the increased in pricing in Q2 – 2010.

Gross profit RM6.6 million (FY 2010 – RM4.2 million) an increase of 58%. This is due to higher processing fee income showing an increase of 10% and storage fee income an increase of 12% compared to FY 2010 while cost of sales decreased by 6%. The reduction in the cost of sales is primarily due to lower staff cost by 11% against FY2010 from lower headcounts, lower hospital collection fees by 5%. Marketing and promotions expenses, however, increased by 28%.

The net profit after taxation was RM3.1 million against a loss of RM177,000. The turnaround is primarily due to better gross profit margin arising from lower cost of sales and higher revenue, a gain on investment of RM623,000 from the restructuring of the HSC Group and administrative expenses remaining at the same level as previous financial year, excluding the bad debts provision of RM542,000 in FY 2010.

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B 2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Q4 - 2011 RM'000 | Q3 - 2011 RM'000 |
|---|-----------------------------------|-----------------------------------|
| Revenue | 5,053 | 4,761 |
| Gross Profit | 2,093 | 1,799 |
| Profit Before Tax [PBT] | 1,718 | 746 |
| Profit After Tax and Minority Interests [PATMI] | 1,724 | 694 |

The Group registered revenue of RM5.1 million against RM4.8 million recorded in Q3 2011, an increase of 6%. The increase in revenue is primarily due to processing fee income from new signed up cases which shows an increase of 11% over Q3 2011 while storage fee income remains relatively the same.

Gross profit was RM2.1 million compared to RM1.8 million in the preceding quarter, an increase of 16% from higher processing fee income with cost of sales remains relatively the same as the preceding quarter.

The Group registered a profit after taxation of RM1.7 million compared to RM694,000 in Q3 2011, an increase of 151%. The better results is due to the higher gross profit margin and a gain on investment of RM623,000 on the restructuring of the HSC Group.

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 | (6) | 183 |

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.

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B 6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B 7. PURCHASE OF QUOTED SECURITIES

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

B 8. STATUS OF CORPORATE PROPOSALS

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

B 9. STATUS OF UTILISATION OF LISTING PROCEEDS

StemLife 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 December 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 | - | - | - | |
| Laboratory Equipments | 3,000 | Within three (3) years from Date of Listing | 1,153 | 1,847 | 61.6 | By 31 December 2013 | ^ ## ### |
| 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 | - | 11,353 | 1,847 | 14 | - | |



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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 to 31 March 2012.*

*The Board of Directors had on 23 February 2012 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.

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) 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 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. 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

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directed the parties to file, inter alia, documents, statement of agreed facts and issues to be tried. Various case managements were held and at the last hearing it was adjourned to 23 March 2012 for the parties to comply with the directions of the court in relation to the trial.

- (2) 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.
 - (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.
 - (vii) The parties had various case managements over the matter and at the last date it was adjourned to 1 March 2012 for hearing of the same.

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.



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| | Current Year Quarter 31.12.2011 | Current Year To Date 31.12.2011 |
|--|--|--|
| Net Profit Attributable to Ordinary Shareholders (RM'000) | 1,724 | 3,132 |
| Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s) | 165,000 | 165,000 |
| Basic Earnings per Share (sen) | 1.05 | 1.90 |

(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 31.12.2011 RM'000 | As at 31.12.2010 RM'000 |
|--|--|--|
| - Realised | 291 | 2,102 |
| - Unrealised | - | - |
| | 291 | 2,102 |
| Total share of retained earnings from associated company | | |
| - Realised | 398 | 792 |
| | 689 | 2,894 |
| Consolidation adjustments | 1,985 | (52) |
| Retained earnings per financial statements | 2,674 | 2,842 |

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 23 February 2012.

By Order of the Board

Laang Jhe How (MIA 25193)
 Company Secretary
 23 February 2012