



The Stem Cell Specialist.

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2014	Preceding Year Quarter 30.09.2013	Current Year To Date 30.09.2014	Preceding Year Corresponding Period 30.09.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	4,170	4,460	11,903	13,010
Cost of Sales	(2,422)	(2,836)	(7,194)	(8,046)
Depreciation & Amortisation	(118)	(94)	(296)	(284)
Gross Profit	1,630	1,530	4,413	4,680
Interest Income	425	495	1,467	1,547
Other Income	1	-	(3)	23
Administrative Expenses	(1,648)	(1,332)	(5,265)	(3,816)
Depreciation	(124)	(116)	(382)	(344)
Profit from Operations	284	577	230	2,090
Share of Associated Company's Results	(102)	97	(149)	249
Profit Before Taxation	182	674	81	2,339
Taxation	(63)	(71)	(189)	(190)
(Loss) / Profit Attributable to Ordinary Equity Holders of the Parent	119	603	(108)	2,149
Basic (loss) / profit per share (sen)	0.05	0.24	(0.04)	0.87
Diluted – (loss) / profit per share (sen)	0.05	0.24	(0.04)	0.87
Effective Tax Rate (%)	34.62	10.53	233.33	8.12

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014
(The figures have not been audited)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at End of Current Quarter 30.09.2014	Audited As at Preceding Financial Year Ended 31.12.2013
	RM'000	RM'000
<u>Non-Current Assets</u>		
Property, Plant and Equipment	13,750	14,223
Intangible Assets	2,546	-
Investments	1,502	1,548
	17,798	15,771
<u>Current Assets</u>		
Inventories	796	717
Trade Receivables	2,066	1,956
Other Receivables and Deposits	2,873	3,674
Amount due from Associated Company	6	-
Cash and Bank Balances	68,308	73,508
	74,049	79,855
TOTAL ASSETS	91,847	95,626
<u>Equity Attributable to Ordinary Equity Holders of the Parent</u>		
Share Capital	24,750	24,750
Share Premium	3,448	3,448
Retained Profit	(1,467)	6,066
Exchange Reserve	57	(46)
	26,788	34,218
<u>Non-Current Liabilities</u>		
Deferred Income	58,391	55,290
	58,391	55,290
<u>Current Liabilities</u>		
Trade Payables	543	477
Deferred Income	4,892	4,493
Other Payables and Accruals	1,214	1,107
Taxation	19	41
	6,668	6,118
TOTAL LIABILITIES	65,059	61,408
TOTAL EQUITY AND LIABILITIES	91,847	95,626
Net Asset per Share Attributable to Ordinary Equity Holders of the Parent (sen)	10.82	13.83

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

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 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued and Paid-up Share Capital	Share Premium	Exchange Reserve	Unappropriated Profit	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01 January 2014	24,750	3,448	(46)	6,066	34,218
Net Profit for the Period	-	-	103	(108)	(5)
Dividend Paid	-	-	-	(7,425)	(7,425)
Balance as at 30 September 2014	24,750	3,448	57	(1,467)	26,788
Balance as at 01 January 2013	24,750	3,448	(38)	6,572	34,732
Net Profit for the Period	-	-	-	2,149	2,149
Dividend Paid	-	-	-	(3,713)	(3,713)
Balance as at 30 September 2013	24,750	3,448	(38)	5,008	33,168

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 2013.

**QUARTERLY REPORT
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Current Year To Date Ended 30.09.2014	Corresponding Year To Date Ended 30.09.2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflow		
Receipts from Customers	15,294	18,331
Cash Outflow		
Payment to Suppliers	7,168	7,898
Payment for Taxation	210	172
Payment for Overheads	6,976	3,741
	14,354	11,811
Net Cash Flow from Operating Activities	940	6,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Properties, Plants And Equipments	(172)	(1,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflow		
Dividend Received	-	100
Amount Owing by Associated Company	(7)	25
Other Income	1,464	1,570
	1,457	1,695
Cash Outflow		
Dividend Paid	7,425	3,713
Net Cash Flow from Financing Activities	(5,968)	(2,018)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(5,200)	3,409
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	73,508	70,333
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,308	73,742

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014
(The figures have not been audited)**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

PART A – EXPLANATORY NOTES

A 1. Basis of Preparation

The condensed consolidated interim financial statements (Condensed Report) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting in Malaysia, International Accounting Standard (“IAS”) 34 and Part K, Rule 9.22 (Appendix 9B) of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Securities Exchange”) for the ACE Market.

This Condensed Report does not include all the information required for full annual financial statements and 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 2013.

The accounting policies used in the preparation of interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2013.

The explanatory notes attached to this Condensed Report provides 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 2013.

A 2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2013 was not qualified.

A 3. Seasonal and Cyclical Factors

The Group’s business operation results were not affected by any seasonal or cyclical factors.

A 4. 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 5. 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 6. 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 7. Dividends Paid

For the financial year ended 31 December 2013, the Company had on 18 June 2014, paid a total dividend of RM7,425,000 consisting of single tier final dividend of 30% which was approved at the Annual General Meeting of the Company held on 27 May 2014.

A 8. 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 applicable.

A 9. 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 10. Subsequent Events

There are no material events subsequent for the current reporting quarter.

A 11. 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 12. 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 2013.

A 13. Significant Related Party Transactions

	Current Year To Date 30.09.2014 RM'000
Significant transaction with a major shareholder of the Company :-	
(i) Upfront licensing fee	2,579
(ii) Testing fee	14
(iii) Royalties fee	26

The upfront licensing fee was capitalised as intangible assets and amortised over the contract period.



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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 2014

The Group recorded revenue of RM4.17 million against RM4.46 million (Q3 – 2013), a decrease of 7%. This is due to lower processing revenue arising from a decrease in new signed-up cases of 7%. Storage income shows an increase of 7% compared to the corresponding quarter.

Cost of sales decreased by 15% due to lower processing cost and lower staff cost arising from reduction in number of signed-up case & sales staff respectively.

Gross profit was RM1.63 million (Q3 2013 – RM1.53 million) an increase of 7%, due to improved gross margin of 39% compared to 34% in Q3-2013.

Administrative expenses had increased by 24% due to higher remuneration paid to Directors and professional fee incurred for the Proposed Strategic Alliance with Cordlife Limited, Increase in Authorised Share Capital & Share Grant Plan.

Thai Stemlife registered a loss and Stemlife share of the loss was RM102,000 (2013 – profit RM97,000).

Net profit after taxation was RM119,000 compared to a profit of RM603,000 registered in the corresponding quarter, a decrease of 80%. This is mainly due to higher administrative expenses incurred and lower share of results from Thai Stemlife.

9 months ended 30 September 2014

For the 9 months ended 30 September 2014, the Group recorded revenue of RM 11.90 million compared to RM13.01 million for the same period in 2013, a decrease of 9%. The decrease is mainly due to lower processing fee revenue in 2014, arising from a decrease in new signed-up cases of 9%.

Gross profit for the 9 months ended 30 September 2014 was RM 4.41 million against RM 4.68 million, a decrease of 6%. This lower gross profit is due to the lower processing fee but compensated with annual storage fee income. Gross margin had improved by 1% from 35% (YTD 2013) to 36% (YTD-2014).

The Group's loss after taxation for the 9 months ended 30 September 2014 was RM 108,000 against profit of RM 2.15 million for the same period of 2013. This decrease was resulted from the lower processing fee revenue, higher administrative expenses and loss sharing of the Associated Company.

B 2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Q3 – 2014 RM'000	Q2 – 2014 RM'000
Revenue	4,170	3,880
Gross Profit	1,630	1,379
Profit / (Loss) Before Tax [PBT]	182	(344)
Profit / (Loss) After Tax [PAT]	119	(407)

For the quarter under review, the Group recorded revenue of RM4.17 million compared to RM3.88 million recorded in preceding quarter (Q2-2014), an increase of 7%. This was due to slightly better annual storage fee income in Q3-2014 as compared to Q2-2014 and new product launched in August 2014.

Gross profit was RM1.63 million compared to RM1.38 million in the preceding quarter, an increase of 18% from higher revenue achieved compare to the preceding quarter.

The Group registered a profit after taxation of RM119,000 compared to loss of RM407,000 in Q2-2014, an increase of 129% mainly due to lower administrative expenses.

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 2014 will continue to be challenging with no new development in the stem cell industry and government regulations.

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 2014 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	63	189

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 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.

B 9. STATUS OF UTILISATION OF LISTING PROCEEDS

StemLife Berhad (“StemLife” or the “Company”) was listed on the ACE Market (formerly known as the MESDAQ Market) on 17 October 2006. The Company raised RM13.2 million from its Initial Public Offering (“IPO”) and the details of utilisation of such proceeds as at 30 September 2014 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 2014	^ ## ### ####
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	-	

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 to 31 December 2013.*
- #### *The Board of Directors had on 11 February 2014 approved and announced the extension of time for the utilization 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. Various case managements were held in relation to the preparation and filing of inter alia documents, statement of agreed facts and issues to be tried.

- (iv) On 17 May 2012 the court directed that the matter be tentatively fixed for trial on 20, 21 and 22 November 2012. The parties informed the Court on 26 July 2012 that they have complied with the relevant case management directions to date. At the final case management on 9 November 2012 the parties informed the Court that they would proceed with the trial on the said dates.
- (v) BMS withdrew its counter claim against the Company prior to the commencement of the trial on the scheduled dates. The trial was then proceeded with and it was completed at the continued hearing on 23 January 2013. The parties' solicitors were directed to complete their respective written submissions by 27 March 2013. The Court was to deliver its decision on 3 April 2013. It was deferred to 18 April 2013 for further clarifications and submissions.
- (vi) Subsequent to the clarifications and submissions from the parties' respective counsels on the said 18 April 2013, the Court reserved its decision to 17 May 2013.
- (vii) The Court vacated the date of 17 May 2013 that was scheduled for the delivery of its decision to 24 July 2013.
- (viii) The Court delivered its decision as follows:
 - (a) The Company's claim against BMS is allowed with costs and damages to be assessed in due course; and
 - (b) The Company's claim against ASB is dismissed with costs of RM30,000 to be paid by the Company to ASB.
- (ix) The Company has paid the costs awarded to ASB.
- (x) BMS filed an appeal to the Court of Appeal against the decision of the Court in allowing the Company's claim against them. The Court of Appeal has fixed 25 April 2014 for case management.
- (xi) In relation to assessment of damages against BMS, the Court directed the parties to file their respective written submissions simultaneously on or by 21 November 2013. As further time was required for the Company's Solicitors to file their written submissions the matter was fixed for another case management and on 24 January 2014, the parties informed the Court that they have filed their respective written submissions. The Court then directed the matter be fixed for further case management on 24 March 2014.
- (xii) The assessment of damages proceedings concluded on 24 March 2014 wherein the Court made the following orders:
 - (a) BMS was to pay RM200,000 to the Company as general damages for libel.
 - (b) BMS was to pay RM50,000 to the Company as aggravated damages.
 - (c) No award of exemplary damages for libel was made.
 - (d) General, aggravated and exemplary damages for loss of business and share value were not allowed.
 - (e) Interest at 5% was allowed on the judgment sum from the date of filing of the claim until full payment thereto.
 - (f) BMS was directed to pay the Company the costs of RM100,000.

- (xiii) The Company then instructed its solicitors to file an appeal against the decision of the Court in regard to the quantum of damages awarded. The notice of appeal was filed on 23 April 2014. BMS has also filed an appeal against the aforesaid decision.
- (xiv) On the said 25 April 2014, the Court of Appeal fixed the matter for further case management on 14 August 2014 so that all 3 appeals can be case managed together.
- (xv) The case was scheduled for further case management on 21 November 2014 pending the grounds of judgment on the assessment of damages.

B 13. DIVIDENDS

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

B 14. EARNINGS PER SHARE (“EPS”)

(i) Basic EPS

The basic EPS is calculated by dividing the net earnings attributable to shareholders for the period by the weighted average number of ordinary shares in issue during the period.

	Current Year Quarter 30.09.2014	Current Year To Date 30.09.2014
Net Profit / (Loss) Attributable to Ordinary Equity Holders of the Parent (RM'000)	119	(108)
Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s)	247,500	247,500
Basic Profit / (Loss) per Share (sen)	0.05	(0.04)

(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 30.09.2014 RM'000	As at 31.12.2013 RM'000
- Realised	(4,817)	2,566
- Unrealised	-	-
	<u>(4,817)</u>	<u>2,566</u>
Total share of retained earnings from associated company		
- Realised	500	603
	<u>(4,317)</u>	<u>3,169</u>
Consolidation adjustments	2,850	2,897
Retained earnings per financial statements	<u>(1,467)</u>	<u>6,066</u>

B 16. DISCLOSURE ITEMS IN THE STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months Ended		6 Months Ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	425	495	1,467	1,547
Investment income	-	-	-	-
Interest expense	-	-	-	-
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain / (loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets / investments	-	-	-	-
Foreign exchange gain / (loss)	1	-	(3)	-
Gain / (loss) on derivatives	-	-	-	-
Exceptional items Gain / (loss) on disposal of fixed assets	-	-	-	23

B 17. 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 10 November 2014.

By Order of the Board

Laang Jhe How (MIA 25193)
Company Secretary
10 November 2014