

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016
(The figures have not been audited)**

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2016	Preceding Year Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year Corresponding Period 31.12.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	5,970	4,856	11,902	9,604
Cost of Sales	(2,182)	(1,930)	(4,124)	(3,384)
Depreciation & Amortisation	(303)	(304)	(602)	(607)
Gross Profit	3,485	2,622	7,176	5,613
Interest Income	589	585	1,200	1,153
Other Income	(4)	16	5	540
Administrative Expenses	(2,204)	(3,211)	(3,937)	(4,973)
Selling & Distribution Expenses	(1,362)	(1,149)	(2,780)	(2,254)
Depreciation & Amortisation	(39)	(69)	(75)	(128)
Profit/ (loss) from Operations	465	(1,206)	1,589	(49)
Share of Results of an Associate	-	58	-	54
Profit/ (loss) Before Taxation	465	(1,148)	1,589	5
Taxation	(60)	(96)	(145)	170
Profit/ (Loss) Attributable to Ordinary Equity Holders of the Parent	405	(1,244)	1,444	175
Basic profit/ (loss) per share (sen)	0.16	(0.50)	0.58	0.07
Diluted – profit/ (loss) per share (sen)	0.16	(0.50)	0.58	0.07
Effective Tax Rate (%)	12.90	-	9.13	-

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2016.

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016
(The figures have not been audited)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at End of Current Quarter 31.12.2016	Audited As at Preceding Financial Period Ended 30.06.2016
	RM'000	RM'000
<u>Non-Current Assets</u>		
Property, Plant and Equipment	2,544	2,525
Investment Properties	10,686	10,707
Intangible Assets	503	950
Investment in Bond Fund	6,000	-
Receivables	23	9
	19,756	14,191
<u>Current Assets</u>		
Inventories	466	333
Receivables	11,914	9,763
Investment in Money Market	50,526	36,300
Deposits with Licensed Banks	12,684	30,770
Cash and Bank Balances	3,178	5,131
Tax recoverable	242	242
	79,010	82,539
TOTAL ASSETS	98,766	96,730
<u>Equity Attributable to Ordinary Equity Holders of the Parent</u>		
Share Capital	24,750	24,750
Share Premium	3,448	3,448
Accumulated losses	(1,986)	(3,430)
	26,212	24,768
<u>Non-Current Liability</u>		
Deferred Revenue	-	1,223
	-	1,223
<u>Current Liabilities</u>		
Payables	72,360	70,545
Insurance liabilities	189	189
Tax Payable	5	5
	72,554	70,739
TOTAL LIABILITIES	72,554	71,962
TOTAL EQUITY AND LIABILITIES	98,776	96,730
Net Asset per Share Attributable to Ordinary Equity Holders Of the Parent (sen)	10.60	10.01

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2016.

**QUARTERLY REPORT
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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 July 2016	24,750	3,448	-	(3,430)	24,768
Net Profit for the Period	-	-	-	1,444	1,444
Balance as at 31 December 2016	24,750	3,448	-	(1,986)	26,212
Balance as at 01 January 2015	24,750	3,448	128	(3,736)	24,590
Prior Year Adjustment	-	-	-	317	317
Restated as at 01 January 2015	24,750	3,448	128	(3,419)	24,907
Net Loss for the Period	-	-	(128)	(11)	(139)
Balance as at 30 June 2016	24,750	3,448	-	(3,430)	24,768

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2016.

**QUARTERLY REPORT
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(The figures have not been audited)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

Cash Inflow

Proceeds from disposal of PPE

Withdrawal of Deposits

Withdrawal of Investment in Money Market

Interest Income

Cash Outflow

Placement in Investment in Money Market

Placement in Investment in Bond Fund

Placement in Deposits

Purchase of Property, Plant And Equipment

Purchase of Intangible Assets

Net Cash Flow from Investing Activities

NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS AT END OF PERIOD

Current Year To Date Ended 31.12.2016	Corresponding Year To Date Ended 31.12.2015
RM'000	RM'000
10,737	8,717
3,858	2,639
145	175
7,372	6,644
11,375	9,458
(638)	(741)
9	42
5,088	-
-	-
298	1,056
5,395	1,098
13,474	2,111
6,000	-
-	4,102
224	370
9	42
19,707	6,625
(14,312)	(5,527)
(14,950)	(6,268)
19,364	29,859
4,414	23,591

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTD.)**

	Current Year To Date Ended 31.12.2016 RM'000	Corresponding Year To Date Ended 31.12.2015 RM'000
Cash & Bank Balances	3,178	1,941
Deposit with licensed banks	12,684	30,280
Less :Deposit with maturities above three months period	(11,448)	(8,630)
Cash & Cash Equivalents	<u>4,414</u>	<u>23,591</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2016.

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016
(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 (“the Group”) for the financial period ended 30 June 2016.

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 period ended 30 June 2016.

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 period ended 30 June 2016.

A 2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 30 June 2016 contains a qualified opinion by the external auditors as follows :

As disclosed in Note 7 to the financial statements, the Company’s investment in an associate, Thai Stemlife Co., Ltd, is carried at RM Nil (31.12.2014: RM945,000, 1.1.2014: RM945,000) in the statements of financial position as at 30 June 2016. The Group’s investment in the associate, accounted for using the equity method, is carried at RM Nil (31.12.14: RM1,486,588, 1.1.2014: RM1,605,765) in the consolidated statement of financial position as at 30 June 2016. The Group’s share of the associate’s net loss of RM180,051 (2014: share of net loss of RM212,962) is included in the Group’s income statements for the period then ended. During the current financial period, the Group and the Company have recognised an impairment loss in the income statement of RM1,178,820 and RM945,000 respectively.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the group’s share of results for the period ended 30 June 2016 and the years ended 31 December 2014 and 2013, the impairment loss recognised for the period ended 30 June 2016 and the carrying amount of the investment as at 30 June 2016, 31 December 2014 and 31 December 2013 due to the following:

- (a) we were unable to place reliance on the work of the component auditors and the relevant accounting records of the associate were not available to us to perform audit work directly; and
- (b) we were unable to assess the reasonableness of the cash flow projection of the associate for impairment assessment in view of the limitations on the reliability of the historical financial information of the associate.

A 2. Auditors' Report on Preceding Annual Financial Statements (Contd.)

Consequently, due to the above limitations, we were unable to determine whether any adjustment to the Group's share of results for the period ended 30 June 2016 and the years ended 31 December 2014 and 2013, the impairment loss recognised for the period ended 30 June 2016 and the carrying amount of the investment of the Group and of the Company as at 30 June 2016, 31 December 2014 and 31 December 2013 were necessary.

Management is reviewing options to be taken on the investment in Thai StemLife Co., Ltd.

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

No dividends have been paid during this quarter.

A 8. Segmental Information

For management purposes, the Group is organised into two main business units based on its services, and has two reportable operating segments as follows :

- (i) Stem cell banking services – Provision of collection, testing, processing and preservation of umbilical cord blood stem cells (UCBSC), umbilical cord tissue (UCT), Wharton's Jelly (WJ) and peripheral blood stem cells (PBSC); and
- (ii) Corporate – investment in properties.

A 8. Segmental Information (Cont'd)

	6 months ended 31.12.2016			
	Stem cell banking services RM'000	Corporate RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External	11,864	38	-	11,902
Inter-segment	68	84	(152)	-
Total revenue	11,932	122	(152)	11,902
Segment Results				
Profit before taxation	1,576	13	-	1,589
Share of results of an associate company				-
Taxation				(145)
Profit after taxation				1,444

	6 months ended 31.12.2015			
	Stem cell banking services RM'000	Corporate RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External	9,567	37	-	9,604
Inter-segment	67	66	(133)	-
Total revenue	9,634	103	(133)	9,604
Segment Results				
Profit/ (Loss) before taxation	(31)	(18)	-	(49)
Share of results of an associate company				54
Taxation				170
Profit after taxation				175

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 30 June 2016.

A 13. Significant Related Party Transactions

Significant transactions with holding company:-

- (i) Testing fee for processing of UCL
- (ii) Royalties fee on revenue from UCL

Individual Quarter		Cumulative Quarter	
Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year Corresponding Period
31.12.2016	31.12.2015	31.12.2016	31.12.2015
RM'000	RM'000	RM'000	RM'000
140	76	227	163
261	146	441	283

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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 2016 (Q2-2017)

The Group recorded revenue of RM5.97 million against RM4.86 million (Q2 – 2016), an increase of 23%. This was mainly due to enhanced UCBSC and UCL contracts accounted under new revenue recognition method.

Cost of sales increased by 13% mainly due to higher royalty, insurance costs for the benefits provided to the customers and higher staff cost.

Gross profit was RM3.49 million (Q2-2016 – RM2.62 million) an increase of 33%. This was mainly due to the reasons stated above.

Administrative expenses was RM2.20 million against RM3.21 million (Q2-2016), a decrease of 31% mainly due to the impairment loss from write-off of investment in Thai Stemlife Co., Ltd., in Q2-2016.

Selling & distribution expenses was RM1.36 million against RM1.15 million (Q2-2016), an increase of 19% mainly due to higher advertising & promotion costs and staff costs.

The above resulted in net profit after taxation of RM405,000 as compared to net loss RM1.24 million (Q2-2016).

6 months ended 31 December 2016

The Group recorded revenue of RM11.90 million against RM9.60 million for the same period in the preceding year, an increase of 24%. This was mainly due to enhanced UCBSC and UCL contracts accounted under new revenue recognition method.

Gross profit for the 6 months ended 31 December 2016 was RM7.18 million against RM5.61 million for the same period in the preceding year, an increase of RM1.56 million mainly due to higher revenue partly offset by higher costs in the current period.

The Group's net profit after taxation for the 6 months ended 31 December 2016 was RM1.44 million against RM175,000 for the same period in the preceding year. The higher profit was mainly due to higher gross profit in current period and impairment loss from write-off of investment in prior period being partly offset by higher selling expenses in current period while reversal of over-provision in tax and settlement of legal suit in the same period in the preceding year.

B 2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Q2 – 2017 RM'000	Q1 – 2017 RM'000
Revenue	5,970	5,932
Gross Profit	3,485	3,691
Profit Before Tax [PBT]	465	1,124
Profit After Tax [PAT]	405	1,039

For the quarter under review, the Group recorded revenue of RM5.97 million compared to RM5.93 million recorded in preceding quarter (Q1-2017), an increase of 1%.

Gross profit was RM3.49 million compared to RM3.69 million in the preceding quarter, a decrease of 6% mainly due to higher royalty fee and new insurance costs.

The Group registered a profit after taxation of RM405,000 compared to profit of RM1.04 million in Q1-2017, mainly due to professional fee in relation to the take-over offer by Cordlife 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 30 June 2017 will continue to be challenging with no new development in the stem cell industry and government regulations in addition to uncertainties in Malaysia's economic outlook. Amid these industry and economic challenges, we are cautiously optimistic of the Group's future prospects. We will continue to invest in our people, processes and lab facility to provide better services to our customers. We will also promote our brand with various advertising, promotional, collaborative and sponsorship activities to strengthen our position in the industry.

B 4. VARIANCE OF ACTUAL AND FORECAST PROFIT

The Group did not issue any profit forecast for the financial year ending 30 June 2017 and therefore information on variance from profit forecast is not applicable.

B 5. TAXATION

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2016	Preceding Year Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year Corresponding Period 31.12.2015
	RM'000	RM'000	RM'000	RM'000
Estimated current year tax payable	(60)	(96)	(145)	(139)
(Under)/over provision in prior year	-	-	-	309
Taxation	(60)	(96)	(145)	170

B 5. TAXATION (CONT'D)

The statutory corporate income tax rate applicable to StemLife is 24%. However, the company's income which is mainly derived from approved BioNexus activities i.e. involving its cord blood are exempted from income tax up to 22 July 2017. The income tax payable recorded for the period is a result of cord tissue banking, other income and profits of 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 year 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 2016 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	1,524	1,476	49.2	By 31 December 2017	^ ## ### #### ##### ##### #####
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	-	-	-	

B 9. STATUS OF UTILISATION OF LISTING PROCEEDS (CONT'D)

Purpose	Proposed Utilisation	Initial Timeframe for Utilisation	Actual Utilisation	Balance of Amount Allocated	%	Extended Timeframe for Utilisation	Explanations
	RM'000		RM'000	RM'000			
Working Capital	2,500	-	2,998	(498)*	-	-	*
Listing Expenses	2,000	-	1,502	498*	-	-	*
	13,200	-	11,724	1,847	11.2	-	

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 to 31 December 2014.
- ##### The Board of Directors had on 10 February 2015 approved and announced the extension of time for the utilization of the balance of the IPO proceeds to 31 December 2015.
- ##### The Board of Directors had on 11 February 2016 approved and announced the extension of time for the utilization of the balance of the IPO proceeds to 31 December 2016.
- ##### The Board of Directors had on 8 February 2017 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.

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 quarter ended		Year to date ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net Profit / (Loss) Attributable to Ordinary Equity Holders of the Parent (RM'000)	405	(1,244)	1,444	175
Weighted Average Number of Ordinary Shares of RM0.10 each in Issue ('000s)	247,500	247,500	247,500	247,500
Basic Profit/ (Loss) per Share (sen)	0.16	(0.50)	0.58	0.07

(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 accumulated losses of the Group as at the reporting date, into realised and unrealised losses is as follows:

	As at 31.12.2016 RM'000	As at 30.06.2016 RM'000
- Realised	(9,102)	(10,546)
- Unrealised	-	-
	<hr/>	<hr/>
	(9,102)	(10,546)
Total share of retained earnings from associate company		
- Realised	-	-
	<hr/>	<hr/>
	(9,102)	(10,546)
Consolidation adjustments	7,116	7,116
Accumulated losses per financial statements	<hr/>	<hr/>
	(1,986)	(3,430)

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

	Second quarter ended		Year to date ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	196	259	449	552
Investment income	393	326	751	601
Interest expense	-	-	-	-
Provision for and write off of receivables	-	33	-	33
Provision for and write off of inventories	-	-	-	-
Gain / (loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets / investments	-	(1,179)	-	(1,179)
Foreign exchange gain / (loss)	6	(3)	(12)	(21)
Gain / (loss) on derivatives	-	-	-	-
Exceptional items:- Gain / (loss) on disposal of property, plant and equipment	(4)	16	5	40

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 8 February 2017.

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Company Secretary
8 February 2017