

Our Ref.: PHARMA/SD/AGM2014/1/2014 (1)

1 April 2014

The Chief Executive Officer
Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Madam,

SIXTEENTH (16TH) ANNUAL GENERAL MEETING (AGM) OF PHARMANIAGA BERHAD

We refer to your letter dated 28 March 2014 to the Board of Pharmaniaga Berhad. With reference to your questions, appended below are pertinent answers for the said questions.

Financial / Strategic

1. What were the respective growth rates for concession business and non-concession business in FY 2013?

The growth rates for concession business and non-concession business in FY 2013 are 2% and 28% respectively.

What is the likely sum of tender of drug expected in FY2014?

The results of the tender of drugs will only be released in quarter 2 2014. No privy information at this juncture.

Will the Group be tendering for all bids in the concession business?

The Group's tender participation in the concession business is based on our existing product portfolio.

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2. Can the Board brief the shareholders on the following recent international ventures by the Company?

- (i) How would the acquisition of PT Errita Pharma be expected to improve the top-line and bottom-line of Pharmaniaga in the next three years?

We expect PT Errita Pharma to contribute approximately RM100 million and RM7 million to the top-line and bottom-line of Pharmaniaga, respectively. This is based on PT Errita's existing products. However, these contributions are expected to improve when we successfully register Pharmaniaga's in-house products from 2017 onwards.

Any further capital expenditure budgeted for this new acquisition?

The estimated capital expenditure is RM5 million for upgrading of plant and machinery.

- (ii) What is the potential of investment in its JV in the Kingdom of Saudi Arabia and the underlying reasons?

Our share of the potential of investment in this JV is approximately RM60 million over a period of 5 years. The key underlying reason of this investment is to harness the immense potential for growth in Middle East and North African region.

- (iii) What are the plan(s) for the newly set up 95%-subsidiary, PT Mega Pharmaniaga?

The plans for the newly set up 95%-subsidiary, PT Mega Pharmaniaga are:

- **To initiate the launching of consumer business e.g. Citrex range in order to promote and encourage brand awareness in Indonesia;**
- **To expand the medical devices including consumables and disposables products/ business; and**
- **To serve as the marketing platform for our pharmaceutical products which will be manufactured by PT Errita Pharma**

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3. Was the improvement achieved in reducing the funds tied to stockholdings to RM323 million mainly due to the new Pharmacy Information System?

The improvement achieved in reducing the funds tied to stockholdings was not due to the new Pharmacy Information System, but was attributable to better inventory and prudent point of sales management.

Could further reduction be expected in the future and what would be the ideal/optimal ratio corresponding to the revenue?

There is no further reduction as it is already at the optimal level. Under the Concession Agreement, we are required to keep certain level of buffer stock, i.e. Essential products of 3 months and Non-Essential products of 2 months.

4. Can the Board share with shareholders the reasons for venturing into retail pharmacy sector?

The main reasons for venturing into retail pharmacy sector are:

- **To complement our existing generic medicine manufacturing and distribution arms; and**
- **To tap into the rising domestic demand in this market.**

What are the plans and the scale of the potential investment?

We target to open more outlets in various shopping complexes and business areas in Klang Valley.

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5. What will be the foreseeable impact of the introduction of GST to the Group by April 1 2015?

Under the proposed GST law, medical supplies are taxable products. Hence, the Group would be able to recover the GST incurred on the expenses.

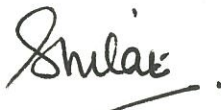
The other foreseeable impact would be potential increase in costs to the business for expenses and capital expenditure that are subject to blocked input tax credit rules.

Has the Group prepared the groundwork for the implementation of the GST?

The groundwork for the implementation of the GST has started with the appointment of consultant. Currently, we are performing gap analysis on the changes required for our policies and processes as well as readiness of IT systems to be GST compliant.

Thank You.

Yours faithfully,
PHARMANIAGA BERHAD



DATO' FARSHILA EMRAN
Managing Director