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30 March 2015

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 Sir / Madam,

SEVENTEENTH (17TH) ANNUAL GENERAL MEETING (AGM) OF PHARMANIAGA BERHAD

We refer to your letter dated 23 March 2014 to the Board of Pharmaniaga Berhad. With reference to your questions, appended below are pertinent answers for the said questions.

Strategic / Financial Matters

1. As stated in the Managing Director's Review, there were ongoing efforts to reduce reliance on concession income and increase focus on non-concession sector initiatives. Please brief on the percentage of revenue contribution from concession sector versus non-concession sector, targets and achievements to date.

Answer:

The Group has undertaken several strategic initiatives to lay the foundation for a long-term growth of our market share, particularly in the private sector. The current revenue trend is 58:42 percentage ratio of concession versus non-concession. We are targeting towards reversing this trend to achieve a percentage ratio of 40:60 concession to non-concession. The target ratio shall be in tandem with the revenue growth for both sectors.

Corporate Governance

MSWG is promoting certain standards of corporate governance best practices in PLCs. In this regard, we hope the Board could address the following:-

1. To publish a summary of salient notes of discussions/minutes of the general meetings on the Company's website.

Answer:

We take note and thank MSWG for the recommendation and will take the matter into due consideration for future practice.

2. As stated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") under recommendation 3.5, the Board should comprise a majority of independent directors where the Chairman of the Board is not an Independent Director. We noted that the number of Independent Directors constitutes 40% of the Board members.

Answer:

As stated on page 71 of the Annual Report, there are three independent Directors out of six Board Members. Therefore, the number of independent Directors constitutes 50% or half of the Board.

We are of the opinion that our independent Directors (in its present composition) bring independent advice, unbiased judgement and provide constructive views on issues of strategy, business performance, resources and standard of conducts, thus helping to ensure that the interest of shareholders and stakeholders of the Company are safeguarded.

Nonetheless, the Board will continuously evaluate suitable candidates as independent Directors to form a majority of the Board. However, the process would be carried out with due care and assessment to ensure meaningful contribution to the effectiveness of the Board as a whole.

2. We noted that Pharmaniaga Logistics Sdn Bhd, a wholly owned subsidiary of the Company, had entered into agreements with several institutions such as Universiti Sains Malaysia, Universiti Kebangsaan Malaysia and University of Malaya, for the supply of approved products to the respective institutions in the beginning of year 2015. However, the values of the approved products to be supplied to the respective institutions were not stipulated in the agreements.

Please update shareholders on the value of the approved products to be supplied to these institutions, duration of the agreements and the estimated contribution to the Group.

Answer:

The agreement is an extension of our concession with the Ministry of Health to the Ministry of Higher Education, which will expire in November 2019. We are not able to disclose the value of the approved products to be supplied since it is based upon as and when the teaching hospitals place their order. However, the agreements provide Pharmaniaga a steady stream of revenue and of utmost important, give us the opportunity to ensure the institutions have an uninterrupted supply of medicines.

3. On 17 November 2014, the Company and Modern Healthcare Solutions Company Limited had agreed to further extend the validity of the JV Agreement for another six months as both parties agreed in writing to finalise the fulfillment of conditions precedent. What is the status of the proposed JV as the validity period of the LOI is until 16 May 2015?

Answer:

We are in the final stages of completing the feasibility study and thus, the Joint Venture Company with our Saudi Arabia partner has not been formed.

4. As the Group depends on imports of raw materials and is exposed to foreign currency exchange risk, what has been the negative implication and impact from the recent depreciation of RM against US\$? What are the measures taken by the management to mitigate the impact of the depreciation of RM and hedging against the foreign currency exchange risks?

Answer:

Majority of our raw materials are transacted in Ringgit Malaysia (RM) currency as we deal with local agents in Malaysia. As for the imported raw materials, we will hedge against foreign currency to withstand the volatility of RM.

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3. In line with the Listing Requirements, please ensure remuneration of Directors are disclosed in successive bands of RM50,000.

Answer:

We take note on the recommendation and will ensure it is disclosed in our future Annual Reports.

Thank you.

Yours faithfully,
PHARMANIAGA BERHAD



DATO' FARSHILA EMRAN
Managing Director 