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MEDIA RELEASE

**PHARMANIAGA SIGNS SHARE SALE AND
PURCHASE AGREEMENT TO ACQUIRE
BALANCE OF 30% STAKE IN PHARMANIAGA
LOGISTICS SDN BHD FROM KUALA LUMPUR
INDUSTRIES HOLDINGS BERHAD**

Kuala Lumpur: Pharmaniaga Berhad (Pharmaniaga), today signs the share sale and purchase agreement to acquire the 30% stake in Pharmaniaga Logistics Sdn Bhd (PLSB), not already owned by them, from Kuala Lumpur Industries Holdings Berhad (KLIH).

"This acquisition is in line with the Pharmaniaga Group's corporate strategy to expand its distribution network as well as to increase its market share in the private sector, both locally and overseas. With the growing competition from local and foreign players, it is essential for PLSB to adapt and respond to these external changes speedily, where this would be further enhanced with PLSB being a wholly-owned subsidiary of Pharmaniaga. Upon completion of the Proposed Acquisition, we will be able to re-deploy our resources and consolidate our assets effectively to enhance the competitive edge of the Pharmaniaga Group," said Azhar Hussain, Managing Director of Pharmaniaga.

Azhar also added that this move would improve the earnings of Pharmaniaga and enhance its earnings per share due to the additional earnings contribution by PLSB, thereby enhancing value to its shareholders.

The 30% equity interest will cost Pharmaniaga RM77.5 million which will be funded through bank borrowings and/or internally generated funds.

PLSB is a Government privatization success story. The holder of a 15-year concession that started since 1 December 1994 has the rights to manufacture, purchase, store and distribute pharmaceutical and medical products to all government hospitals, clinics and institutions throughout Malaysia.

PLSB has been adopting a customer-focused strategy through the use of advanced information technology, from the very first day of its operations. Apart from equipping all government hospitals' pharmacies with computer hardwares and providing free training to the pharmacies' staff, PLSB has set up the first pharmaceutical on-line wide area network in Malaysia known as the Pharma*Net. This network links all Malaysian Government hospitals and most health clinics, several semi-government and private hospitals in the country to strategically located PLSB warehouses and provides these hospitals with direct on-line ordering as well as order status inquiry facilities.

The entire pharmaceutical supply chain, from manufacturers/suppliers down to the hospitals and patients currently benefit from increased efficiency in order processing, inventory management, warehousing, distribution and logistics management, with the full development of the Supply Chain Management system on Pharma*Net, including direct link up with manufacturers and suppliers.

With the necessary IT infrastructure already in place, PLSB has introduced the Hospital Inventory Systems (HIS) which enables effective monitoring and management of inventory at all Government hospitals. The HIS has facilitated the setting up of a centralised data warehouse at the Ministry of Health, allowing the Government to monitor drug consumption patterns more effectively, thus leading towards more effective inventory planning.

PLSB became a member of the Pharmaniaga Group when Pharmaniaga Berhad acquired 70% equity interest prior to its listing in 1999.

Recently, Pharmaniaga Berhad reported an increase in revenue for the nine months ended 30 September 2004 by 28.6% to RM599.2 million from RM466.0 million in the corresponding period last year. Its pre-tax profit improved by 23.5% to RM59.5 million against RM48.2 million previously, pushing earnings per share up to 37.1 sen from 31.2 sen. This is the best quarterly performance for the Group in both revenue and net earnings since the listing in November 1999. Turnover and pre-tax profit for the quarter grew by 28.4% and 38% to RM229.3 million and RM22.6 million respectively, compared to the second quarter this year.

Pharmaniaga said that the improved group financial performance has been driven by strong growth in generally all of the market segments. Non-concession government and private sector sales which contributed to 15.3% of the Group turnover, grew very strongly at 33.8% compared to the same period last year. Export sales had more than doubled especially as the Group completed about 75% of the RM38.4 million contracts to supply pharmaceuticals and medical equipment to the Middle East. Contribution from export sales to the Group turnover has now increased to 6.4% compared to 1% for the whole of 2003.

Concession sales continued to grow in tandem with the Company's expectation, despite the slight slowdown during the first half of this year.

Return on total gross assets was higher at 21.9% compared to 20.6% as at 31 December 2003. The capital position continues to remain strong with the Group shareholders' funds growing by 10.7% to close at RM255.4 million at the end of the third quarter.

On the current year's prospects, Pharmaniaga is optimistic that the results for year 2004 will continue to improve and will continue to seek further improvement in operational efficiency and business expansion opportunities to strengthen its position in the market place.

Pharmaniaga paid an interim tax-exempt dividend of 4.5 sen per share on 19 October 2004.

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ABOUT PHARMANIAGA BERHAD

Pharmaniaga Berhad is Malaysia's leading pharmaceuticals group and a member of the UEM Group. The company is driven by its core businesses in generic pharmaceuticals R&D and manufacturing, warehousing and distribution of pharmaceutical and medical products, sales & marketing, as well as hospital equipping provision of turnkey contract services. Pharmaniaga has also created a niche in healthcare IT solutions which forms the backbone of its operations.

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