

MESTRON HOLDINGS BERHAD (“MESTRON” OR THE “COMPANY”)

HEAD OF AGREEMENT BETWEEN MESTRON AND ZHONGYU YEXING (CHENGDU) INDUSTRIAL CO., LTD.

1.0 INTRODUCTION

The Board of Directors of Mestron is pleased to announce that the Company had on 28 January 2021 entered into a Head of Agreement (“**HOA**”) with Zhongyu Yexing (Chengdu) Industrial Co., Ltd. [Company No. 915101003320043317] (“**Zhongyu Yexing**”) to collaborate in the distribution of Covid-19 vaccine developed by China National Pharmaceutical Group Co. Ltd (“**Sinopharm**”) (“**Vaccine**”).

Under the HOA, Zhongyu Yexing shall procure and supply the supplies of the Vaccine to Mestron and Mestron shall accept and redistribute, market and sell the Vaccine in Malaysia (“the **Proposal**”), subject to the terms and conditions in the HOA.

Mestron and Zhongyu Yexing shall be collectively referred to as “the Parties” and individually as “the Party”.

2.0 INFORMATION ON ZHONGYU YEXING

Zhongyu Yexing is a company incorporated in the People’s Republic of China and having its registered office at No. 1511, 15th Floor, Unit 1, Building 9, No. 1700, Tianfu Avenue North Section, Chengdu High-tech Zone, China (Sichuan) Free Trade Zone.

Zhongyu Yexing is part of Sinopharm’s group of companies, which is one of the largest pharmaceutical enterprise groups in the People’s Republic of China. Zhongyu Yexing is principally engage in the sale, distribution, marketing and promotion of the Covid-19 vaccine and other medical and pharmaceutical products developed by Sinopharm.

3.0 SALIENT TERMS OF THE HOA

3.1 Purpose of the HOA

This HOA is entered into solely to establish and confirm the mutual understanding of the Parties concerning the Proposal.

3.2 Discussion Content

Upon execution of the HOA, the Parties shall reach a formal agreement. Zhongyu Yexing shall accept Mestron’s entrustment and apply to purchase COVID-19 vaccines from Sinopharm for Mestron.

Zhongyu Yexing is responsible for applying for price quotation of the Vaccine from Sinopharm, and Mestron to purchase 1.5 million sets (3 million doses) of Vaccine, and the Parties shall negotiate to determine the delivery date.

Zhongyu Yexing shall represent Mestron in an application to Sinopharm to provide Mestron with the Vaccine and is the procurement agent of Mestron in China.

Mestron shall ensure to provide Zhongyu Yexing with the relevant documents evidencing approval from National Pharmaceutical Regulatory Agency (“NPRA”), Malaysia Ministry of Health for the purchase of Vaccine by Mestron.

3.3 Definitive Agreement

The Parties shall endeavor to enter into a Definitive Agreement within thirty (30) days from the date of this HOA provided that Mestron has obtain the official letter from the Malaysian government to the Chinese government, and the authorization from Malaysian government to Mestron for the purchase of Vaccine within fifteen (15) days. If such requirements are not completed, the agreement will automatically be invalid.

4.0 **VALIDITY OF THE HOA**

4.1 The validity period of this HOA is two (2) months, calculated from the date of signing this agreement, and may be further extended by mutual agreement in writing. This HOA shall be invalid after the parties reach a final agreement on the proposal.

5.0 **RISK FACTORS**

Similar to all business entities, the risk factors affecting the execution of the HOA, including but not limited to business risks such as prudent financial management, changes in political, economic and regulatory conditions. However, the Board will continue to exercise due care in considering the risks associated with the collaboration and will take appropriate measures in planning the successful execution of this collaboration.

6.0 **FINANCIAL EFFECTS OF THE HOA**

The HOA will not have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholdings of the Company.

In the event the HOA results in Definitive Agreement between the Parties, the implementation thereof is expected to have a positive impact to the future earnings of Mestron.

The total capital and investment outlay for the Proposal by Mestron are unable to be determined at this juncture as the details of such are still in the midst of being negotiated between the parties. Based on the preliminary information received by Mestron, the estimated total capital and investment outlay for the Proposal is up to approximately RM20.0 million. However, the exact total capital and investment outlay for the Proposal will only be specified in a later stage once there are more concrete details on the Proposal.

The total capital and investment outlay for the Proposal, once determined/ confirmed, is expected to be funded via a combination of internally generated funds, proceeds from private placement or banking facilities from financial institution.

7.0 **INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS' AND/OR PERSON CONNECTED WITH THEM**

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the HOA.

8.0 APPROVALS REQUIRED

The HOA is not subject to the approval of the shareholders of Mestron, NPRA and/or any other relevant regulatory authorities.

The eventual distribution of the Vaccine in Malaysia by Mestron is subject to the following approvals:

- (a) Approval from NPRA for the registration and distribution of the Vaccine in Malaysia; and
- (b) Approval from relevant authorities in Malaysia for Mestron's importation, distribution, sale, marketing and use of the Vaccine.

Upon the signing of the definitive agreement for the Proposal between the Parties, Mestron shall procure for the abovementioned approvals.

9.0 STATEMENT BY BOARD OF DIRECTORS

The Board of Director of Mestron, having taken into consideration all aspects of the HOA, is of the opinion that the HOA is in the best interest of Mestron.

10.0 DOCUMENT AVAILABLE FOR INSPECTION

The HOA is available for inspection at the registered office of Mestron at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor from Mondays to Fridays (except public holidays) during normal business hours for a period of three (3) months from the date of this announcement.

This announcement is dated 29 January 2021.