

HEALTHWAY MEDICAL CORPORATION LIMITED

(Company Registration No. 200708625C)
(Incorporated in the Republic of Singapore)

SUBSCRIPTION AND TRANSFER OF SHARES IN FULLY HOLDINGS PTE. LTD.

1. INTRODUCTION

Reference is made to the announcement dated 2 July 2019 (the “**Earlier Announcement**”) in relation to the share subscription agreement dated 2 July 2019 (the “**2019 SSA**”) and entered into between Healthway Medical Corporation Limited (the “**Company**”), Fully Holdings Pte. Ltd. (“**Fully Holdings**”) and the then existing shareholders of Fully Holdings, pursuant to which:

- (a) the Company has subscribed for 2,000,000 ordinary shares of Fully Holdings, at the subscription price of S\$1.00 per share (the “**Tranche 1 Subscription**”); and
- (b) the Company has the right to subscribe for up to 3,000,000 additional ordinary shares of Fully Holdings, in two tranches of 2,000,000 shares and 1,000,000 shares, at the subscription price of S\$1.00 per share, at any time during the four-year period following the completion of the Tranche 1 Subscription (the “**Subscription Right**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the Earlier Announcement.

2. UPDATES ON INVESTMENT

The Board of Directors of the Company wishes to provide the following updates in relation to the Company’s investment in Fully Holdings:

2.1 Investment by BLoyalty Sdn. Bhd.

Fully Holdings has entered into a share subscription agreement dated 27 October 2020 (the “**BLSB SSA**”) with a new investor, BLoyalty Sdn. Bhd. (“**BLSB**”) and the existing shareholders of Fully Holdings (including the Company), pursuant to which:

- (a) BLSB has subscribed for 375,940 ordinary shares of Fully Holdings, at the subscription price of S\$1.33 per share; and
- (b) BLSB has agreed to subscribe for an additional 1,127,820 ordinary shares of Fully Holdings at the subscription price of S\$1.33 per share, in two tranches:
 - (i) 375,940 shares on 31 December 2020 (or such other date as Fully Holdings and BLSB may agree in writing); and
 - (ii) 751,880 shares on 30 June 2021 (or such other date as Fully Holdings and BLSB may agree in writing),

(collectively, the “**BLSB Subscription**”).

The aggregate subscription price payable by BLSB for all 1,503,760 ordinary shares of Fully

Holdings will be approximately S\$2,000,000.

After the completion of the BLSB Subscription, the Company's shareholding percentage in Fully Holdings will decrease from 16.67% to 14.18% (on a fully diluted basis, on the assumption that 600,000 ordinary shares in Fully Holdings which may be allotted and issued to employees of Fully Holdings pursuant to the employee share option scheme of Fully Holdings (the "**Employee Share Option Shares**"), have been allotted and issued to the employees)¹. The Company's investment in Fully Holdings will, however, still be accounted for as an investment in an associate in the consolidated financial statement of the group.

In addition, Fully Holdings, BLSB and the existing shareholders of Fully Holdings (including the Company) have also entered into a revised shareholders' agreement dated 27 October 2020 to regulate the affairs of Fully Holdings and the rights and obligations of the shareholders of Fully Holdings. This supersedes the previous shareholders' agreement dated 2 July 2019.

2.2 Entry into Capital Contribution Agreement

Fully Holdings has also entered into a capital contribution agreement dated 27 October 2020 (the "**CCA**") with the Company and BLSB, pursuant to which:

- (a) Fully Holdings may give one or more call notices to the Company and BLSB to offer each of them up to 2,255,639 ordinary shares of Fully Holdings (the "**Called Shares**") for subscription, at the subscription price of S\$1.33 per share;
- (b) each call notice shall specify a period of not less than 120 days from the date thereof, within which the Company and BLSB will have to complete the subscription (the "**Specified Period**");
- (c) the Company and BLSB have the right to subscribe for an equal proportion of the Called Shares within the Specified Period, but if either of them declines to subscribe in whole or in part for its portion of the Called Shares, the Called Shares which have been declined (the "**Declined Called Shares**") shall be re-offered to the other party for subscription within the Specified Period;
- (d) the Company and BLSB shall notify Fully Holdings whether they accept the offer to subscribe for their portion of the Called Shares and the Declined Called Shares by way of an acceptance notice, within the Specified Period;
- (e) in the event BLSB or the Company fails to accept or declines such offer to it, Fully Holdings shall, within 14 days of the expiry of the Specified Period (the "**Extended Specified Period**"), notify the other party and offer the unsubscribed portion of the Called Shares for subscription by the other party. If the offer is accepted within the Extended Specified Period, the party accepting the offer shall pay the subscription price for the relevant number of Called Shares within 30 days of the expiry of the Extended Specified Period;
- (f) if by the end of the Specified Period or the Extended Specified Period (as the case may be), no acceptance notice has been served, or the number of Called Shares and Declined Called Shares accepted by any of BLSB or the Company is less than the aggregate number of Called Shares in the call notice, Fully Holdings shall be entitled

¹ As at the date of this announcement, Fully Holdings has granted 524,000 share options to its employees pursuant to the employee share option plan of Fully Holdings ("**ESOP**"), but none of the share options have been exercised. As such, no shares in Fully Holdings have been allotted and issued to employees pursuant to the ESOP as at the date of this announcement.

within 45 days of the expiry of the Specified Period (where neither BLSB nor the Company issues an acceptance notice), or Extended Specified Period (where only one of BLSB or the Company issues an acceptance notice), to offer the unsubscribed Called Shares to the existing shareholders of Fully Holdings, on the same terms and subscription price;

- (g) save for shares of Fully Holdings to be issued under the ESOP of Fully Holdings, Fully Holdings shall not allot and issue any new shares or any new class of shares during the term of the CCA without the prior written consents of BLSB and the Company; and
- (h) in the event that Fully Holdings receives an offer or an indication of interest from a third party for the subscription of shares of Fully Holdings at a price per share which is higher than S\$1.33 per share:
 - (i) Fully Holdings will notify the Company and BLSB;
 - (ii) each of the Company and BLSB shall be given the right to subscribe for up to its maximum entitlement of 2,255,639 ordinary shares of Fully Holdings (if any portion of each party's respective maximum entitlement under the CCA remains unsubscribed as at the date of offer or indication of interest from the third party), at the subscription price of S\$1.33 per share, within 6 months from the date of such notice;
 - (iii) if either of them declines to subscribe for its portion of shares of Fully Holdings, the other party shall be entitled to subscribe for the remaining portion; and
 - (iv) upon expiry of the 6-month period under sub-paragraph (ii) above, the rights of BLSB and the Company to subscribe for shares of Fully Holdings under the CCA shall terminate, if either of them fails or declines to subscribe for its maximum entitlement of 2,255,639 ordinary shares of Fully Holdings,

(the "**Accelerated Subscription**").

For illustrative purposes:

- (1) Assuming that Fully Holdings offers the Company 2,255,639 Called Shares, and the Company subscribes for all of such Called Shares, the aggregate subscription price payable by the Company will be approximately S\$3,000,000.
- (2) Assuming that the Company subscribes for all 2,255,639 Called Shares, but BLSB does not subscribe for any Called Shares, the Company's shareholding percentage in Fully Holdings will increase from 14.18% to 26.01% (computed (A) excluding the transfer of the Founder Shares (as defined below) to the Company, and (B) on a fully diluted basis, on the assumption that the 600,000 Employee Share Option Shares have been allotted and issued to the employees of Fully Holdings.)
- (3) Assuming that BLSB subscribes for all 2,255,639 Called Shares, but the Company does not subscribe for any Called Shares, the Company's shareholding percentage in Fully Holdings will decrease from 14.18% to 12.23% (on a fully diluted basis, on the assumption that the 600,000 Employee Share Option Shares have been allotted and issued to the employees of Fully Holdings).

The CCA shall become effective from (i) 30 June 2021 or (ii) the date on which BLSB completes the subscription for all 1,503,760 ordinary shares of Fully Holdings pursuant to the BLSB SSA,

whichever is the later date.

The CCA shall terminate at the earlier of the following events:

- (i) the mutual agreement of all the parties;
- (ii) the completion of the subscription of ordinary shares of Fully Holdings at the subscription price of S\$1.33 per share in accordance with the CCA, for an aggregate amount of S\$6,000,000;
- (iii) the completion of the Accelerated Subscription; or
- (iv) the liquidation, dissolution or winding up of Fully Holdings.

2.3 Basis of Subscription Price

The subscription price per share under the CCA has been agreed upon by the Company, BLSB and Fully Holdings based on commercial negotiations, at arm's length, and on a willing-buyer willing-seller basis, taking into account the intention that the shares to be subscribed under the BLSB SSA and the CCA belong to the same "Series A" of equity fund-raising, and therefore the subscription price per share under the CCA is the same as that under the BLSB SSA. The Company was not involved in the negotiations between BLSB and Fully Holdings in relation to the subscription price of S\$1.33 per share under the BLSB SSA. However, as described at paragraph 2.4 below, the Company has entered into the Share Transfer Deed with the Founders (as defined below), pursuant to which the Founders agreed to transfer the Founder Shares (as defined below) to the Company without payment of any purchase price, such that the effective price of the total number of Called Shares and Founder Shares acquired by the Company will be S\$1.00 per share.

2.4 Entry into Share Transfer Deed

In connection with the CCA:

- (a) the Company has terminated its Subscription Right under the 2019 SSA; and
- (b) the Company has entered into a share transfer deed dated 27 October 2020 (the "**Share Transfer Deed**") with Mr. Teo Wei Shu, Mr. Hadiyanto, and Mr. Zhang Hexiang (collectively, the "**Founders**"), pursuant to which:
 - (i) in consideration of the Company terminating its Subscription Right under the 2019 SSA, the Founders have agreed that, in the event that the Company subscribes for Called Shares at the subscription price of S\$1.33 per share pursuant to the CCA, the Founders shall transfer such number of their ordinary shares of Fully Holdings (the "**Founder Shares**") to the Company, such that the effective price of the total number of Called Shares and Founder Shares acquired by the Company will be S\$1.00 per share; and
 - (ii) each of the Founders will transfer an equal proportion of Founder Shares to the Company,

provided that the Founders shall not be required to transfer more than an aggregate of 744,361 Founder Shares to the Company.

For the avoidance of doubt, the Company is not required to pay any purchase price, whether in cash or otherwise, to the Founders for the transfer of the Founder Shares.

The Founders are responsible for day to day operations and management of Fully Holdings.

For illustrative purposes, assuming that the Company subscribes for 2,255,639 Called Shares at the subscription price of S\$1.33 per share pursuant to the CCA:

- (1) the Founders shall be required to transfer 744,361 Founder Shares to the Company, such that the effective price of the aggregate number of 3,000,000 Called Shares and Founder Shares acquired by the Company will be S\$1.00 per share; and
- (2) the number of ordinary shares of Fully Holdings, and the corresponding shareholding percentage, held by the Company before and after the subscription of the Called Shares and the transfer of the Founder Shares, are set out below:

	Number of ordinary shares	Shareholding percentage ⁽¹⁾
Before subscription of Called Shares and transfer of Founder Shares	2,000,000	14.18%
After subscription of Called Shares	4,255,639	22.86%
After subscription of Called Shares and transfer of Founder Shares	5,000,000	26.86%

Note:

- (1) Computed (A) based on BLSB's subscription for (i) 1,503,760 ordinary shares of Fully Holdings pursuant to the BLSB SSA, and (ii) 2,255,639 Called Shares pursuant to the CCA, and (B) on a fully diluted basis, on the assumption that the 600,000 Employee Share Option Shares have been allotted and issued to the employees of Fully Holdings.

2.5 Other Information

Please refer to sections 2 and 3 of the Earlier Announcement for (i) information relating to Fully Holdings and its two wholly-owned subsidiaries (the "**Target Group**") and (ii) the rationale for the Company's investment into the Target Group. Save for the updates on the financial statements of the Target Group below, there have been no changes to the information and rationale stated in the Earlier Announcement.

Based on the unaudited financial statements of the Target Group for the financial year ended 31 December 2019 ("**FY2019**"), the Target Group incurred a consolidated net loss of S\$1,162,634 for FY2019 and had consolidated net tangible assets of S\$977,294 as at 31 December 2019.

Based on the unaudited financial statements of the Target Group for the six months ended 30 June 2020 ("**1H2020**"), the Target Group incurred a consolidated net loss of S\$686,730 for 1H2020 and had consolidated net tangible assets of S\$281,898 as at 30 June 2020.

3. SOURCE OF FUNDS

To fund the subscription of Called Shares pursuant to the CCA, the Company intends to use the proceeds raised from the issuance of the second tranche of convertible notes which was completed on 21 April 2017.

4. CHAPTER 10 OF CATALIST RULES

Based on the unaudited consolidated financial statements of the Healthway Group for 1H2020, the relative figures for:

- (a) the subscription of up to 2,255,639 Called Shares by the Company, at the subscription price of S\$1.33 per share, pursuant to the CCA; and
- (b) the corresponding transfer of up to 744,361 Founder Shares from the Founders to the Company, pursuant to the Share Transfer Deed

(collectively, the “**Transactions**”), as computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”), are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Healthway Group’s net asset value	Not applicable ⁽¹⁾
Rule 1006(b)	Net loss attributable to the assets acquired, compared with the Healthway Group’s net loss	12.86% ⁽²⁾
Rule 1006(c)	Aggregate value of the consideration, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares	2.14% ⁽³⁾
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group’s proved and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) Rule 1006(a) of the Catalist Rules is not applicable as the Transactions do not concern a disposal of assets.
- (2) Computed based on (i) the Company acquiring a total number of 3,000,000 Called Shares and Founder Shares pursuant to the Transactions, resulting in an approximately 10.19% increase in its shareholding interest in Fully Holdings (on a fully diluted basis, on the assumption that the 600,000 Employee Share Option Shares have been allotted and issued to the employees of Fully Holdings), (ii) the Company’s proportionate share of increase in the net loss of the Target Group of S\$686,730 for 1H2020, based on its unaudited consolidated financial statements for such period, and (iii) the net loss of the Healthway Group of S\$544,000 for 1H2020.
- (3) Computed based on (i) the aggregate subscription price of S\$3,000,000 payable by the Company for the subscription of 2,255,639 Called Shares, and (ii) the Company’s market capitalisation of S\$140,099,577 as determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on 26 October 2020 (being the market day immediately preceding the date of the CCA and the Share Transfer Deed) of S\$0.0310 .

- (4) Rule 1006(d) of the Catalist Rules is not applicable as the Transactions do not concern an issue of equity securities by the Company.
- (5) Rule 1006(e) of the Catalist Rules is not applicable as the Transactions do not concern a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Pursuant to Rule 1007(1) of the Catalist Rules, as the relative figure calculated under Rule 1006(b) involves a negative figure, the Company has consulted the SGX-ST via its Sponsor, PrimePartners Corporate Finance Pte. Ltd, on the treatment of such relative figure. The SGX-ST has no objections to the Company treating the Transactions as a “discloseable transaction” as defined in Chapter 10 of the Catalist Rules.

5. FINANCIAL EFFECTS

The pro forma financial effects of the Transactions on the net tangible assets (the “**NTA**”) and loss per share (the “**LPS**”) of the Healthway Group have been prepared based on the audited financial statements of the Healthway Group for FY2019. They are intended only for illustration purposes and do not reflect the actual future results or financial position of the Healthway Group following the completion of the Transactions.

5.1 Net Tangible Assets

Assuming that the Transactions had been completed on 31 December 2019, the effect of the Transactions on the NTA of the Healthway Group are as follows:

	Before the Subscription	After the Subscription
Consolidated NTA (S\$'000)	32,188	32,188
Number of shares excluding treasury shares ('000)	4,511,226	4,511,226
Consolidated NTA per share (Singapore cents)	0.71	0.71

5.2 Loss Per Share

Assuming that the Transactions had been completed on 1 January 2019, the effect of the Transactions on the LPS of the Healthway Group are as follows:

	Before the Subscription	After the Subscription
Consolidated loss attributable to the equity holders of the Company (S\$'000)	2,939	3,113
Weighted average number of shares ('000)	4,523,769	4,523,769
Consolidated LPS (Singapore cents)	0.06	0.07

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Abram Melkyzedeck Suhardiman, an Executive Director and the Deputy Chief Executive Officer of the Company, is the brother of Mr. Max Melkyzedeck Suhardiman, who is one of the minority shareholders of Fully Holdings. As at the date hereof, Mr. Max Melkyzedeck Suhardiman owns 60,000 ordinary shares of Fully Holdings, representing approximately 0.48% of the issued share capital of Fully Holdings (on a fully diluted basis, on the assumption that the 600,000 Employee Share Option Shares have been allotted and issued to the employees of Fully Holdings). For the avoidance of doubt, Mr. Max Melkyzedeck Suhardiman does not hold any executive or key management position in Fully Holdings.

Save for the above, none of the controlling shareholders or Directors of the Company has any interest, direct or indirect, in the Transactions, other than their interests arising by way of their shareholdings in the Company.

7. SERVICE CONTRACTS

No person has been or will be appointed as a director of the Company in connection with the Transactions. Accordingly, no service contract has been or will be entered into between the Company and any such person.

8. DOCUMENTS FOR INSPECTION

A copy of the CCA and the Share Transfer Deed will be made available for inspection at the registered office of the Company during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Raymond Lam Kuo Wei
Company Secretary

27 October 2020

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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