HEALTHWAY MEDICAL CORPORATION LIMITED

(Company Registration Number: 200708625C)
(Incorporated in the Republic of Singapore)

PROPOSED ISSUANCE OF NOTES

1. INTRODUCTION

The Board of Directors ("Board") of Healthway Medical Corporation Limited (the "Company" and together with its subsidiaries, the "Group"), wishes to announce that the Company has on 16 January 2017 entered into a subscription agreement with GW Active Limited to issue S$10 million in convertible notes ("CN A") and S$60 million in non-convertible notes ("NCN") (together, the "Initial Notes").

The maturity period of the Initial Notes is 2 years from the issue date ("Issue Date"). The Conversion Price for CN A is based on S$0.03384 per Conversion Share. The Initial Notes can subsequently be exchanged for fully convertible notes ("CN B") with a maturity period of 5 years from Issue Date, upon certain conditions being met. Assuming all of the CN B are converted at the aforesaid Conversion Price, a maximum of 2,218,502,511 Conversion Shares will be issued.

For the purpose of this announcement, CN A, NCN and CN B shall collectively be referred to as "**Notes**", the issuance of the Notes shall be collectively referred to as "**Proposed Issuance of Notes**" and the shares to be issued upon conversion of the Notes (where convertible) shall collectively be referred to as "**Conversion Shares**".

2. RATIONALE AND USE OF PROCEEDS

The Company continually assesses fund raising options in order to prudently manage its short-term liquidity needs, optimize its capital structure and bolster its balance sheet for future growth.

The Directors are of the opinion that the issue of the Notes will be necessary for the purposes of addressing the Group's short term liquidity needs and meeting its working capital requirements. The Company has also taken the opportunity to raise additional funding to strengthen its balance sheet to support its growth initiatives.

The Directors are of the opinion that, after taking into consideration the Group's present bank facilities and the net proceeds from the issue of the Notes, the working capital available to the Group is sufficient to meet its present requirements.

The net proceeds to be raised by the Company (after deducting estimated expenses of S$1,700,000) is approximately S$68,300,000 (the "**Net Proceeds**"). The Company intends to utilise approximately 20% of the Net Proceeds first to repay existing bank borrowings, 20% for general working capital and the remainder to pursue both organic and inorganic growth (upon obtaining the Subscriber's consent). Pending deployment, the Net Proceeds may be placed as deposits or such other short term purpose as the Board may deem appropriate in the interests of the Group.

Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Group.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the funds are materially disbursed and whether such use is in accordance with

the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements and the Company's annual report. Where the Net Proceeds are used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied in the announcements and the status report. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation

The Chairman of the Board, Mr. Edwin Khoo said, "These new funds will significantly improve the Group's current liquidity position and bolster its balance sheet to allow for future growth of our clinic network in Singapore and Malaysia. The Company has a strong presence in outpatient practices in Singapore, particularly in family medicine, orthopaedics, paediatrics, obstetrics and gynaecology and psychiatry. It is moving towards allied health services, such as child development programmes, psychology and physiotherapy. The network growth will support the expansion of the core practice groups as well entry into new specialty areas.

The healthcare market has high growth potential despite the slowing economic environment. The trends of an aging population, longer lifespan, demanding and fast paced lifestyles are resulting not only in higher healthcare spending but also increased demand for diabetic and cancer treatments as well as stress induced medical conditions."

Mr. Edwin Khoo further emphasized, "This new funding will assist in building Healthway Medical into a leading healthcare company in Asia, generating stronger returns for investors."

3. SALIENT TERMS OF THE NOTES

3.1 Initial Notes: The Initial Notes constitute direct, irrevocable, unconditional and unsubordinated obligations of the Company, which shall rank at least *pari passu* with all existing borrowings of the Company. The salient terms of the Initial Notes are as follows:

(i) **Interest**: Each of the Initial Notes shall bear compound interest from the respective date of issue ("**Issue Date**") to (but excluding) the date falling 3 months after the Issue Date at the rate of 12% per annum and thereafter, at the rate of 16.5% per annum (the "**Interest**") on the principal amount outstanding accruing from the Issue Date, until (a) the Maturity Date (b) the date of converting the Initial Notes into Conversion Shares ("**Conversion**") (c) the date on which the Initial Notes are exchanged into CN B or (d) the date on which the Initial Notes are redeemed by the Company ("**Redemption Date**"), whichever is the earlier. Prior to the Maturity Date, the Interest accrued each quarter is payable in kind and will be added to the outstanding principal amount of each Initial Note.

(ii) **Maturity Date**: The maturity dates for the Initial Notes are 2 years from the Issue Date. The Company will announce the Maturity Date and send a notice of the Maturity Date to all Subscribers at least 1 month before the Maturity Date.

(iii) **Conversion Period**: All (and not part) of CN A, together with interest accrued thereon, shall be convertible at the option of the Subscriber into Conversion Shares at the Conversion Price (as defined in Section 3.1(iv)), at any time up to (a) the Maturity Date (b) the Redemption Date or (c) the date on which the Initial Notes are exchanged into CN B, whichever is earlier.

(iv) **Conversion Price**: The conversion price of each Conversion Share shall be S$0.03384, being 10% discount to the volume weighted average price of S$0.0376 for trades done on the Shares on the SGX-ST on 11 January 2017 (being the preceding full market day in which there was trading in the Shares prior to the signing of the Subscription Agreement) and up to the time of the trading halt of the Shares on 12 January 2017 (the "**Conversion Price**"). The

Conversion Price will be adjusted in the event of share consolidation or share splits and any material modifications (other than modifications made pursuant to the terms of CN A) to the terms of the CN A to the benefit of the Noteholders shall be made in compliance with the requirements of the Catalist Rules.

(v) **Issue of CN A and CN A Shares:** CN A will be issued and allotted pursuant to the general mandate ("**Share Issue Mandate**") granted by shareholders of the Company ("**Shareholders**") by way of an ordinary resolution at the annual general meeting of the Company held on 29 April 2016 (the "**2016 AGM**").

As at the date of the Share Issue Mandate, the Company had 2,308,236,183 Shares in issue and pursuant to the Share Issue Mandate, the number of new ordinary shares in the capital of the Company ("**Shares**") that may be issued pursuant to the Share Issue Mandate is 2,308,236,183, of which the maximum number of Shares to be issued other than on a pro rata basis is 1,154,118,091. The Company had issued 133,300,000 Shares at an issue price of S$0.03 pursuant to the placement exercise completed on 26 September 2016 ("**Placement**"). The net proceeds of S$3.75 million raised from the Placement has been fully utilised in accordance with the intended purposes. Further details on the Placement can be found in the Company's announcement on the SGXNET dated 29 August 2016.

As such, the remaining number of new Shares that may be issued other than on a pro rata basis is 1,020,818,091.

Assuming the CN A is held to Maturity Date and all of the CN A, together with interest accrued thereon is converted into Shares based on the Conversion Price, the number of Conversion Shares to be issued pursuant to the aforesaid conversion is 403,916,850 ("**CN A Conversion Shares**"), representing approximately 16.42% of the existing issued share capital comprising 2,460,234,183 Shares ("**Existing Share Capital**"), or 14.1% of the enlarged share capital of 2,864,151,033 Shares. Accordingly, the allotment and issuance of 403,916,850 CN A Conversion Shares would fall within the limits of the Share Issue Mandate.

The CN A Conversion Shares shall be issued and credited as fully paid upon the conversion of the Notes in accordance with the terms and conditions of the respective Notes and shall rank pari passu in all respects with all other then existing Shares.

(vi) The Initial Notes shall be freely transferable.

3.2 Upon the conditions set out in Section 4.2 of this Announcement being met, the Initial Notes and accrued interest thereon shall be exchanged into Convertible Notes B ("CN B").

3.3 CN B: The CN B constitute direct, irrevocable, unconditional and unsubordinated obligations of the Company, which shall rank at least *pari passu* with all existing borrowings of the Company. The salient terms of CN B are as follows:

(i) **Interest**: The CN B bears no coupon.

(ii) **Maturity Date**: The maturity date for CN B is 5 years from the Issue Date ("**CN B Maturity Date**"). The Company will announce the CN B Maturity Date and send a notice of the CN B Maturity Date to all Subscribers at least 1 month before the CN B Maturity Date.

(iii) **Conversion Period**: The CN B is convertible at the option of the Subscriber into Conversion Shares at the Conversion Price (as defined in Section 3.3(iv)), at any time up to the CN B Maturity Date.

(iv) **Conversion Price**: The conversion price of each Conversion Share shall be S$0.03384, being 10% discount to the volume weighted average price of S$0.0376 for trades done on the Shares on the SGX-ST on 11 January 2017 (being the preceding full market day in which there was trading in the Shares prior to the signing of the Subscription Agreement) and up to the time of the trading halt of the Shares on 12 January 2017 (the "**Conversion Price**"). The Conversion Price will be adjusted in the event of share consolidation or share splits and any material modifications (other than modifications made pursuant to the terms of CN A) to the terms of the CN A to the benefit of the Noteholders shall be made in compliance with the requirements of the Catalist Rules.

(v) **Issue of the Conversion Shares:** Based on the Conversion Price of S$0.03384 and assuming that (i) CN A and NC N are issued on the Issue Date; and (ii) pursuant to the exchange of CN A and NC N for CN B, issued at an aggregate amount of S$75,074,125 (six (6) months from the Issue Date), the maximum number of Conversion Shares to be issued is 2,218,502,511 ("**CN B Conversion Shares**") representing approximately 90.17% of the Existing Share Capital or 47.4% of the enlarged share capital.

The Conversion Shares shall be issued and credited as fully paid upon the conversion of the Notes in accordance with the terms and conditions of the respective Notes and shall rank *pari passu* in all respects with all other than existing Shares.

The issuance of the CN B is subject to the approval of shareholders of the Company ("**Shareholders**") at an extraordinary general meeting to be convened. Please refer to paragraph 6 of this announcement for further details.

(vi) CN B shall be freely transferable.

For illustrative purposes only, the shareholdings of GW Active Limited and changes in the share capital of the Company after conversion of the CN A and CN B into Conversion Shares are as follows:

	After conversion of CN A	**After Conversion of CN B**
No. of Conversion Shares to be issued	403,916,850 (1)	2,218,502,511 (3)
Enlarged issued share capital	2,864,151,033	4,678,736,694
As a percentage of enlarged issue share capital	14.10%	47.42%

Notes:

(1) Assuming the CN A is held to Maturity Date and all of the CN A, together with interest accrued thereon is converted into Shares based on the Conversion Price

(2) Assuming (i) CN A and NC N are issued on the Issue Date; and (ii) pursuant to the exchange of CN A and NC N for CN B, CN B is issued as at 6 months from the Issue Date.

3.4 Security: The Notes shall be secured by a pledge of the shares of all the companies in the Group. The shares of Healthway Medical Enterprises Pte. Ltd. ("**HME**") shall also be pledged in the event the Group exercises its option to acquire HME.

3.5 Redemption

(a) Redemption at Maturity

Unless previously redeemed, converted and cancelled, the Company will, on the Maturity Date redeem the Notes as follows ("**Maturity Redemption Price**"):

(i) in respect of the Initial Notes, an amount in cash equal to the sum of 100% of the principal amount of the Initial Notes as at the Maturity Date, a redemption premium of 25% of the principal amount of the Initial Notes,

and all the accrued and unpaid interest on the Initial Notes up to (and excluding) the Maturity Date;

(ii) in respect of CN B, an amount in cash equal to the sum of 100% of the principal amount of CN B as at the Maturity Date, and a redemption premium that will provide the Subscriber an internal rate of return of 6% on the principal amount of CN B up to (and excluding) the Maturity Date.

(b) Redemption at the option of the Company

The Company has the option to redeem any of the Initial Notes prior to the Maturity Date at its Maturity Redemption Price.

(c) Mandatory Redemption

In the event that any offer by any person (other than the Subscriber) becomes unconditional in all respects, or any person (other than the Subscriber or the existing controlling shareholder of the Company) and their respective concert parties, holds more than 25% of the voting rights of the Company, the Company shall redeem all outstanding Initial Notes at its Maturity Redemption Price within 30 business days after the occurrence of the event.

3.6 Other Material Terms

The material terms of the Subscription Agreement and the Notes, *inter alia*, are as follows:

(a) The Subscriber has the right to nominate 2 non-executive directors to the Board and the Chief Financial Officer of the Company, subject to the receipt of the relevant approvals of the Nominating Committee, the Sponsor and the Board ("**Relevant Approvals**");

(b) The Company shall pay to the Subscriber an upfront fee of 2% of the aggregate principal amount of the Initial Notes, being S$1,400,000;

(c) At the upcoming annual general meeting, the Company shall reconstitute the Board to comprise 5 members, which shall include 2 non-executive directors nominated by the Subscriber (subject to the Relevant Approvals being obtained), and (subject to the Relevant Approvals being obtained) 2 independent directors whose suitability shall be reviewed by the Subscriber in advance of their appointment;

(d) The Company shall exercise the option for the acquisition of HME. by 31 March 2017; and

(e) Without the Subscriber's prior consent (not to be unreasonably withheld) amongst others:

(i) the Group may not enter into any material transactions, undertakings or corporate actions; and

(ii) The Company may not appoint, change or remove the Chief Executive Officer (if any).

For the avoidance of doubt, nothing in Clause 8 of the Subscription Agreement or the Conditions of the Notes shall be regarded as transferring a controlling interest to the Subscriber or the Subscriber acquiring control of the Board.

4. CONDITIONS PRECEDENT AND THE CONVERSION SHARES

4.1 Conditions Precedent for the Initial Notes

Within 14 business days from the execution of the Subscription Agreement, the following conditions precedent, *inter alia*, must be fulfilled (and remain valid and in force as at the Issue Date of the Initial Notes):

(a) the financial, tax, legal and commercial due diligence on the Company having been completed and the due diligence results thereof being satisfactory to the Subscriber;

(b) the approval of the investment committee of the Subscriber having been obtained; and

(c) no event causing a material adverse change to the Group having occurred.

4.2 Conditions Precedent for CN B

The Initial Notes may be exchanged into CN B in the event the following conditions, *inter alia*, are met within 6 months from the date of the Subscription Agreement (and remaining valid and in force as at the Issue Date of CN B):

(a) the following approvals or waivers having been obtained and remaining in full force and effect:

(i) the SIC having granted the Subscriber and its concert parties a waiver from the obligation to make a general offer for all the Shares upon the conversion of CN B ("**Whitewash Waiver**"); and

(ii) the approval of the Shareholders for the issuance of CN B and waiving their right to receive a general offer from the Subscribers pursuant to the conversion of CN B ("**Whitewash Resolution**");

(b) the receipt of the listing and quotation notice ("**LQN**") from the SGX-ST for the issuance of Conversion Shares;

(c) no event causing a material adverse change to the Group having occurred; and

(d) all necessary third party consents in connection with the issue of CN B having been obtained.

4.3 Completion Date

Completion of the issue of the Initial Notes will occur 13 business days after the relevant conditions precedent are fulfilled or waived by the Subscriber (as the case may be).

Completion of the issue of CN B will occur 3 business days after the relevant conditions precedent are fulfilled or waived by the Subscriber (as the case may be).

4.4 Listing and Quotation Notice

The Company will be making an application to the SGX-ST through its Sponsor for the listing of and quotation for the Conversion Shares on the Catalist of the SGX-ST, and will make the necessary announcement upon receipt of the relevant listing and quotation notice from the SGX-ST.

5. INFORMATION ON THE SUBSCRIBER

GW Active Limited is an investing entity, wholly and indirectly owned by Gateway Fund I, L.P., ("Gateway"), a Cayman fund focused on growth capital and special situations across the fast-growing markets of South East Asia, South Asia, Middle East and Africa. The Investment Manager of the Fund is Gateway (Cayman) Limited, operating directly or

through its 100% subsidiaries, Gateway Management Company Pte. Ltd. (Singapore), an entity regulated by the Monetary Authority of Singapore, and GWP Management Limited, an entity regulated by the Dubai Financial Services Authority. More information on Gateway can be found at www.gatewayfund.net. The Limited Partners of the Fund comprises of sovereign wealth funds, corporates, family offices and high net worth individuals. To the best of the Company's knowledge, none of the Company's directors or substantial shareholders have any connection (including business relationship) with the Subscriber, its directors or substantial shareholders.

Gateway was approached by the Company as part of the Company's continual engagement with potential capital providers. No introduction fee has been paid. The Company commenced discussions and agreed terms with Gateway based on its immediate funding requirements and longer term recapitalization and growth plans.

The Subscriber is not within the category of persons set out under Rule 812(1) of the Catalist Rules and has confirmed that it has not entered into any agreement with any restricted person under Rule 812(1) of the Catalist Rules, to dispose of any of the CN A. No placement agent has been appointed in relation to this transaction and no commission or finder's fee is payable by the Company to any person in relation thereto.

6. SHAREHOLDERS' APPROVAL FOR THE ISSUANCE OF CN B

6.1 The issuance of CN B requires the approval of Shareholders under Section 161 of the Companies Act and Rules 803 and 805 of the Catalist Rules as a maximum of 2,218,502,511 CN B Shares will be issued to the Subscriber following conversion of CN B, representing 47.42% of the total enlarged issued Shares of 4,678,736,694.

6.2 In addition, pursuant to Rule 14 of the Takeover Code, the Subscriber and its concert parties will incur an obligation to make a mandatory general offer for all the remaining issued Shares not already owned, controlled or agreed to be acquired by them pursuant to the conversion of CN B. The Subscriber and his concert parties intend to seek a Whitewash Waiver, and seek Shareholders' approval for the Whitewash Resolution.

6.3 Accordingly, the Company will be seeking Shareholders' approval for the issuance of CN B to the Subscriber and for the Whitewash Resolution at an extraordinary general meeting to be convened. A circular containing, *inter alia*, details of CN B, will be despatched to Shareholders in due course

7. NO PROSPECTUS OR OFFER INFORMATION STATEMENT

The Proposed Issuance of Notes will be undertaken pursuant to exemptions under Sections 274 and 275 of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Notes.

8. FINANCIAL EFFECTS OF THE NOTES

The financial effects of the issuance and/or conversion of the Initial Notes and the issuance and conversion of CN B are **for illustrative purposes only** and do not reflect the actual financial performance or position of the Group after their issuance and/or conversion. The financial effects set out below have been prepared based on the audited financial statements of the Group for the full year ended 31 December 2015 and on the following key assumptions:

(a) The effect on the Group's earnings per ordinary share in the capital of the Company ("**Shares**") ("**EPS**") is based on the assumption that the issuance and/or conversion of the Initial Notes and the issuance and conversion of CN B had been effected on 1 January 2015, and includes interest accrued as at Maturity Date;

(b) The effect on the Group's net tangible assets ("**NTA**") per Share is based on the assumption that the issuance and/or conversion of the Initial Notes and the issuance and conversion of CN B had been effected on 31 December 2015, and includes interest accrued as at Maturity Date;

(c) The sale of 18,698,000 treasury shares and issuance of 133,300,000 Shares pursuant to the placement exercise completed on 26 September 2016 had been effected and issued respectively on 1 January 2015.

EPS

	As at 31 December 2015	**After issuance and/or conversion of the Initial Notes**	**After issuance and conversion of Notes B**
Earnings (S$'000)	1,683	1,683	1,683
Number of issued shares ('000)	2,308,236	2,864,151	4,678,736
EPS (Singapore cents)	0.07	0.06	0.04

NTA per Share

	As at 31 December 2015	**After issuance and/or conversion of the Initial Notes**	**After issuance and conversion of Notes B**
NTA (S$'000)	69,824	69,824	69,824
Number of issued shares ('000)	2,308,236	2,864,151	4,678,736
NTA per Share (Singapore cents)	3.02	2.44	1.49

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Issuance of Notes, save for their respective shareholdings in the Company (if any).

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement will be made available for inspection during normal business hours at the registered office of the Company at 2 Leng Kee Road #06-07 Thye Hong Centre Singapore 159086 for a period of three (3) months from the date of this announcement.

11. TRADING CAUTION

Shareholders and potential investors should note that the Proposed Issuance of Notes remains subject to the fulfilment of the conditions precedent and there is no assurance that the Proposed Issuance of Notes will be completed. Shareholders and potential investors should exercise caution when trading in shares of the Company, and where in doubt as to the action they should take, they should consult their financial, tax or other professional adviser immediately.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Issuance of Notes, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statements in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Veronica Chan Wee Ping
President
17 January 2017

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*This announcement has been prepared by Healthway Medical Corporation Limited (the "**Company**") and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.