HEALTHWAY MEDICAL CORPORATION LIMITED

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

UPDATE TO SHAREHOLDERS – PROPOSED ISSUANCE OF NOTES

(A) FIRST CLOSING CONDITIONS;
(B) CLARIFICATION TO BUSINESS TIMES ARTICLE DATED 10 FEBRUARY 2017; AND
(C) CHANGE OF CONTROL REDEMPTION CLAUSE

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*Unless otherwise defined, all capitalised terms used herein shall bear the same meanings ascribed to them in the announcements dated 17 January 2017, 19 January 2017, 6 February 2017 and 13 February 2017 ("**Notes Announcements**").*

The Board of Directors ("**Board**") of Healthway Medical Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the following:

(i) the Notes Announcements regarding the proposed issuance of Notes for an aggregate principal amount of S$70 million; and

(ii) the announcement dated 7 February 2017 in relation to a voluntary conditional cash offer made by RHB Securities Singapore Pte. Ltd. for and on behalf of Gentle Care Pte. Ltd. ("**Offeror**"), an indirect wholly-owned subsidiary of Lippo Limited, to acquire all the issued and paid-up ordinary Shares (which shall, for the avoidance of doubt, include any Shares issued pursuant to the exercise of instruments convertible into, rights to subscriber for, and options in respect of, Shares, convertible securities or securities which carry voting rights during the offer period) in the capital of the Company, including all Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror ("**Offer**") ("**Offer Announcement**").

(A) FIRST CLOSING CONDITIONS

Pursuant to the Offer Announcement, the Board needed to assess the impact of the Offer on the proposed issuance of the Notes, including the Change of Control Redemption Clauses (as defined and further elaborated in Section C of this announcement), and to assess its options in relation to the proposed issuance of the Notes.

However, having regard to the fact that the Company continues to urgently require funds for its short term liquidity needs such as, *inter alia*, to repay borrowings which are currently due and payable and to settle payables which have been long outstanding, the Company will be complying with its obligations under the Subscription Agreement.

Accordingly, the Board wishes to update that further to the announcement dated 13 February 2017 in relation to the extension of the First Closing Conditions Long Stop Date to 20 February 2017, all the First Closing Conditions that are required to be fulfilled and/or waived on or prior to the First Closing Conditions Long Stop Date have been fulfilled or waived, as the case may be.

The Company will proceed to issue the Initial Notes to the Subscriber in accordance with the terms of the Subscription Agreement on 9 March 2017 (or such other date as may be agreed between the parties in writing) ("**First Closing Date**"), subject to the satisfaction and/or waiver of the following conditions as at the First Closing Date:

(i) no change having material adverse effect to the Group or the HME group having occurred until (and including at) the First Closing Date;

(ii) the Company having complied with all its obligations and undertakings under the Subscription Agreement and the warranties, representations and undertakings of

the Company set out in the Subscription Agreement remaining true and correct in all respects, in each case at all times until (and including at) the First Closing Date; and

(iii) the issue of each of the CN A and NCN on the First Closing Date not being prohibited (a) by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company; or (b) any injunction or other orders issued by any court of competent jurisdiction.

Subject to the satisfaction or waiver of the relevant conditions as at the First Closing Date, the Subscriber will pay an aggregate subscription consideration of S$70 million (less the upfront fee of S$1.4 million) in cash to the Company on the First Closing Date in consideration for the issuance of the Initial Notes.

(B) CLARIFICATION TO THE BUSINESS TIMES ARTICLE DATED 10 FEBRUARY 2017

The Board refers to the Business Times article dated 10 February 2017 titled "*Lippo offer doesn't save Healthway shareholders from Cayman loan*" ("**BT Article**") and wishes to clarify the following:

(i) Rationale for the Subscription Agreement

The Company had continuously explored various debt and/or equity fund raising options in order to (i) manage its short-term and medium-term liquidity needs; (ii) meet its working capital requirements; and (iii) optimise its capital structure.

The Board is of the opinion that the issuance of the Initial Notes is in the best interests of the Company compared to the various other methods of fundraising which was available to the Company, amidst a difficult situation where the Company is currently faced with liquidity issues, significant losses and potential going concern issues. The Company has had difficulties in refinancing its upcoming debt maturities and obtaining new bank loans over the course of 2016.

The Company's ability to meet its current obligations is reliant on raising sufficient liquidity on a timely basis which is provided for under the Subscription Agreement. The terms of the Subscription Agreement was also considered the most appropriate at the time the Subscription Agreement was entered into and in light of the Group's current business climate, given the ability of the Subscriber to commit to the Company for both the short and medium terms and to support the Group in its business growth.

The Company intends to utilise approximately 20% of the net proceeds to be raised (after deducting estimated expenses of S$1.7 million) of approximately S$68.3 million to repay existing bank borrowings, 20% for general working capital and the remainder to pursue both organic and inorganic growth.

Further, the interest on the Initial Notes accrued each quarter is payable in kind and such amount will be added to the outstanding principal amount of each Initial Notes.

(ii) Shareholders' approval for the Notes

The Initial Notes comprise CN A with a principal amount of S$10 million and NCN with a principal amount of S$60 million.

The Board wishes to reiterate that the Shares in the Company to be issued pursuant to the conversion of CN A by the Subscriber ("**CN A Conversion Shares**") will be within the limits approved by Shareholders under the general mandate ("**Share Issue Mandate**") granted at the annual general meeting of the

Company held on 29 April 2016 (the "**2016 AGM**"). The listing and quotation of the CN A Conversion Shares on the SGX-ST is subject to the receipt of the listing and quotation notice ("**LQN**") from the SGX-ST and the fulfillment of any conditions that may be imposed by the SGX-ST.

It is the Group's current intent to exchange all of the Initial Notes to CN B within six months of the date of the Subscription Agreement as CN B bears no coupon rate. This will be beneficial to the Group as it will reduce the total amount of interest to be paid on the Initial Notes.

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 the maximum number of CN B Shares that can be issued to the Subscriber (following conversion of all of the proposed CN B) would represent 47.42% of the total enlarged issued Shares (as illustrated in the announcement dated 17 January 2017). Therefore, Shareholders would have the opportunity to vote on the issuance of CN B pursuant to the terms of the Subscription Agreement. Further, the listing and quotation of Shares to be issued pursuant to conversion of CN B **("CN B Conversion Shares")** is also subject to the receipt of the LQN from the SGX-ST and the fulfillment of any conditions that may be imposed by the SGX-ST.

The conversion price of each CN A Conversion Share and CN B Conversion Share ("**Conversion Price**"), at S$0.03384, is at a 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 and up to the trading halt trading halt of the Shares on 12 January 2017. Such discount is within the prescribed limit under the Catalist Rules which does not require the Company to seek shareholders' approval for the Conversion Price.

(iii) Other terms of the Subscription Agreement

(a) Appointment of 2 non-executive directors

The Company believes that the Subscriber's participation in the Company is beneficial as it will introduce candidates with extensive experience and varied professional backgrounds to serve on the Board.

However, the Subscriber's two non-executive directors ("**NED**") to be nominated to the Board will not form the majority of the board. The two candidates for the NED role will be assessed for suitability by the Nominating Committee, sponsor and Board of the Company, and their appointments will have to comply with the requirements of the Catalist Rules and the Constitution of the Company whereby the NEDs can only hold office until the next annual general meeting ("**AGM**") of the Company and their respective re-elections will be subject to Shareholders' approval at that AGM.

(b) Appointment of independent directors

The Subscriber's input will be useful in assisting the Board to identify independent directors that have professional experience and credibility to ensure that the Board has an enhanced level of corporate governance with candidates of different professional backgrounds in order to provide diversity to the Board.

(c) Appointment of CFO

The Company believes that, given the need for greater financial discipline and oversight pursuant to the significant injection of cash into

the Company by the Subscriber, it is not unreasonable to grant the Subscriber a right to nominate the Chief Financial Officer of the Company. The appointment of the Chief Financial Officer of the Company will be assessed for suitability by the Nominating Committee, sponsor and Board of the Company, and will have to comply with the requirements of the Catalist Rules (including that of independence and having possessed relevant experience and qualifications).

(d) Appointment, change or removal of CEO (if any)

Any change of the CEO could have a significant impact on the operations of and direction of the Company, and in turn, the overall value of the Company. Therefore, the Board is of the view that it is not unreasonable for the Subscriber to require a covenant that the key management remains intact during the tenure of the Notes or for the Subscriber to ensure that any new CEO is suitably qualified and committed to run the Group's business well.

(e) Material transactions, undertakings or corporate actions

The Notes provide customary protections which restrict the Company from, *inter alia*, changing its business, undertaking disposals, taking on debt or acquiring new businesses in excess of stated amounts, without the consent of the Noteholders. These are negative covenants which would be consistent with the requirements of any significant lender seeking to preserve value and protect the legitimate interests of the Noteholders in the Company.

The Board therefore believes that it is not unreasonable for the Noteholders to request that its consent be obtained prior to the Group entering into any material transactions, undertakings or corporate actions. Additionally, as the CN A and CN B are convertible into equity of the Company, the Noteholders' and the Shareholders' interests in enhancing enterprise value of the Group would be aligned.

(C) CHANGE OF CONTROL REDEMPTION

The Board refers to the Company's announcement dated 17 January 2017 where it was highlighted at paragraph 3.5(c) that in the event that (i) any offer by any person (other than the Subscriber) becomes unconditional in all respects ("**CoC Event A**"), or (ii) 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 ("**CoC Event B**""), the Company shall redeem all outstanding Initial Notes (that is, only CN A and NCN) at its Maturity Redemption Price within 30 business days after the occurrence of the event ("**Change of Control Redemption**").

For ease of reference, the relevant clauses are Condition 6.3 of Schedule 3 - Terms and Conditions of the CN A and Condition 5.3 of Schedule 4 - Terms and Conditions of the NCN of the Subscription Agreement in relation to the mandatory redemption of the Initial Notes in the event of a change of control of the Company ("**Change of Control Redemption Clauses**"), and which are extracted and set out below:

"***6.3 Change of Control Redemption***

In the event of a Change of Control, all outstanding CN A shall become immediately due and payable at the expiry of 30 Business Days after the occurrence of the Change of Control and the Issuer undertakes to redeem, by such date, all outstanding CN A at the Maturity Redemption Price.

For the purposes of this Condition 6.3, a "Change of Control" means the occurrence of any of the following events:

6.3.1 any Offer by any person other than Gateway becoming unconditional in all respects; or

6.3.2 any person other than Gateway or the Controlling Shareholder of the Issuer as at the Issue Date holding, whether singly or together with its Concert Parties more than 25 per cent. of the voting rights attributable to the total share capital of the Issuer."

The Maturity Redemption Price means the redemption price payable by the Issuer to redeem the CN A at maturity, which shall comprise (i) 100% of the principal amount of the outstanding CN A as at the Maturity Date (as defined herein), including any increase in the principal amount of CN A arising from the interest which is payable in kind ("**Interest**"); (ii) the redemption premium being an amount equal to 25% of the principal amount of the CN A as at the date of issue of CN A (that is, the First Closing Date); and (iii) accrued and unpaid Interest on the outstanding CN A up to (and excluding) the maturity date of the CN A (being 2 years from the First Closing Date) ("**Maturity Date**").

"***5.3 Change of Control Redemption***

In the event of a Change of Control, all outstanding Non-convertible Notes shall become immediately due and payable at the expiry of 30 Business Days after the occurrence of the Change of Control and the Issuer undertakes to redeem, by such date, all outstanding Non-convertible Notes at the Early Redemption Price.

For the purposes of this Condition 5.3, a "Change of Control" means the occurrence of any of the following events:

5.3.1 any Offer by any person other than Gateway becoming unconditional in all respects; or

5.3.2 any person other than Gateway or the Controlling Shareholder of the Issuer as at the Issue Date holding, whether singly or together with its Concert Parties more than 25 per cent. of the voting rights attributable to the total share capital of the Issuer.

The Early Redemption Price shall comprise (i) 100% of the principal amount of the outstanding NCN as at the date of redemption, including any increase in the principal amount arising from the payment of Interest; (ii) the redemption premium being an amount equal to 25% of the principal amount of the NCN as at the date of issue of the NCN (that is, the First Closing Date); (iii) accrued and unpaid Interest on NCN up to (and excluding) the date of redemption; and (iv) all the Interest that would have accrued on the relevant NCN commencing from (and including) the date of redemption and up to (and excluding) the Maturity Date had such NCN been held to the Maturity Date.

In view of the Offer and the Change of Control Redemption Clauses, the Board wishes to highlight to Shareholders that:

(a) assuming that the Offeror (which currently already holds more than 15% interest in the Company) remains a controlling shareholder of the Company as at the proposed issuance of the Initial Notes to the Subscriber on 9 March 2017, CoC Event B does not apply in the event that the Offeror, whether singly or together with its concert parties, increases its voting rights in the Company to more than 25% (and no obligation of Change of Control Redemption will be incurred as a result) because the Offeror would already be an existing controlling shareholder of the Company at the time of the issuance of the Initial Notes;

(b) however, assuming that the Initial Notes have been issued at or prior to the time the Offer becomes unconditional in all respects (if and when it occurs) ("Unconditional Date"), CoC Event A will occur and the Company will incur an

obligation of Change of Control Redemption to redeem the Initial Notes by repaying the outstanding principal amount, accrued and accruable interest and redemption premium in accordance with the terms of the Initial Notes.

The Board, taking into consideration the current uncertainty as to whether CoC Event A or the Change of Control Redemption would occur and on the assumption that the Initial Notes have been issued, is of the view that the Company is likely to be able to continue as a going concern albeit up to the Unconditional Date.

The Board will reassess the Company's ability to continue as a going concern as and when the Offer becomes unconditional, and will keep Shareholders updated as and when there are any material updates in relation to the aforementioned.

The Board will also approach and engage the Offeror as well as the Subscriber in relation to the Change of Control Redemption at the appropriate juncture.

The Board wishes to assure Shareholders that it has been using and will continue to use its best efforts to ensure that the Company remains as a going concern.

Trading Caution

In the meantime, the Board wishes to advise Shareholders and investors to exercise caution when dealing in the Shares and to refrain from taking any action in relation to their Shares which may be prejudicial to their interests. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers immediately.

Responsibility Statement

The Directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate, and that there are no material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement.

BY ORDER OF THE BOARD

Veronica Chan Wee Ping
President
24 February 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.