HEALTHWAY MEDICAL CORPORATION LIMITED

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

PROPOSED ISSUANCE OF NOTES – AMENDMENTS TO TERMS OF THE SUBSCRIPTION AGREEMENT

*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, 13 February 2017, 24 February 2017 and 11 March 2017 (collectively "**Notes Announcements**").*

1. INTRODUCTION

The Board of Directors ("**Board**") of Healthway Medical Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the (i) Notes Announcements regarding the proposed issuance of Notes for an aggregate principal amount of S$70 million; and (ii) the Business Times Article dated 20 March 2017 titled "*Gateway revises convertible bonds deal with Healthway*" ("**Article**").

As announced by the Company on 11 March 2017 and 20 March 2017, the Company has, following the receipt of the SGX Direction, received an alternate proposal from the Subscriber in order to meet its immediate liquidity requirements ("**Alternate Proposal**"). It was also mentioned that the Alternate Proposal was under review and would be subject to all regulatory approvals and requirements.

The Board wishes to update Shareholders that following discussions, the Subscriber and the Company have on 23 March 2017 agreed to certain amendments to the Subscription Agreement by way of an amendment and restatement agreement ("**Amended and Restated Agreement**"), salient amendments of which are set out herein. The Board, after taking into consideration amongst others, the more favourable terms of the Alternate Proposal, including overall lower cost of funding, as well as the speed of disbursement of funds to address the Company's immediate liquidity needs, is of the view that the Amended and Restated Agreement is in the best interests of the Company and Shareholders.

2. SALIENT AMENDMENTS

The salient amendments to the Subscription Agreement as set out in the Amended and Restated Agreement dated 23 March 2017 are, *inter alia,* as follows:

(i) The proposed amendments involve a change of the investment structure with no issuance of the Initial Notes. Instead, the Company will issue CN B for an aggregate principal amount of S$70 million in two tranches. The first tranche of CN B ("**T1 CN B**") will comprise a principal amount of S$10 million, while the second tranche of CN B ("**T2 CN B**") will comprise a principal amount of S$60 million.

Set out below are the principal terms of CN B:

(a) CN B does **not** carry a coupon;

(b) The maturity date for both of the T1 CN B and T2 CN B is 5 years from the issue date of T1 CN B;

(c) CN B is redeemable at maturity at 100 per cent. of the principal amount and a redemption premium that shall enable the Noteholder to achieve an internal rate of return of 6 per cent. for the Noteholder on the principal amount of the CN B for the period from the issue date (being the issue date for T1 CN B (in respect of T1

CN B) and the issue date for T2 CN B (in respect of T2 CN B) respectively) to the maturity date; and

(d) There are no change of control redemption provisions in the terms of the CN B.

(ii) T1 CN B will be disbursed on the First Closing Date scheduled for the earlier of 25 March 2017 or the date of the Issuer's receipt of the listing and quotation notice for T1 CN B (provided that the Company notifies the Subscriber of such receipt by no later than 5p.m. on such date), provided that the conditions precedents are fulfilled and/or waived (if capable of being waived). These conditions include, *inter alia*, the Company's receipt of the following:

(a) confirmation from the SIC that the proposed amendments specific to the issuance of T1 CN B are not regarded as a frustration of the Offer under Rule 5 of the Code;

(b) confirmation from the SGX-ST that the T1 CN B may be issued by the Company without having obtained Shareholders' approval; and

(c) approval in principle from the SGX-ST for the listing and quotation of the Conversion Shares to be issued upon the conversion of the T1 CN B.

As at the date of this announcement, (a) and (b) above have been met (please refer to paragraph 3 below for further details) and the Sponsor will be submitting the additional listing confirmation to the Exchange on or about 23 March 2017.

(iii) The Subscriber is entitled to deduct from the principal amount of T1 CN B on the First Closing Date an upfront fee of S$1,400,000 equivalent to 2% of the aggregate principal amount of S$70 million made available by the Subscriber, due to the commitment made by the Subscriber for the entire facility amount.

(iv) T2 CN B will be disbursed 2 business days after all the conditions precedent ("**Second Closing Conditions**") to the disbursement of T2 CN B have been fulfilled (and remain valid and in force) and/or waived (if capable of being waived). The Second Closing Conditions include, *inter alia*:

(a) the approval of Shareholders being received for (i) the issuance of T2 CN B and (ii) the exercise of the HME Option at an extraordinary general meeting to be convened ("**EGM**") (as disclosed in the announcement dated 11 March 2017, the Subscriber has waived the requirement to obtain Shareholders' approval for the Whitewash Waiver);

(b) The listing and quotation notice of the SGX-ST for the issuance of the Conversion Shares pursuant to the conversion of T2 CN B having been obtained;

(c) The issue of T1 CN B and the completion of the acquisition of HME having occurred;

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

(e) all necessary third party consents in connection with the issue of CN B having been obtained; and

(f) the issue of the T2 CN B not being prohibited (1) 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 (2) any injunction or other orders issued by any court of competent jurisdiction.

The long stop date for the Second Closing Conditions shall be 21 April 2017.

(v) The Company will pledge the shares of all its subsidiaries to the Subscriber to secure, *inter alia*, the obligations of the Company under both of the T1 CN B and T2 CN B upon disbursement of T2 CN B. For the avoidance of doubt, in the event that T2 CN B is not disbursed, T1 CN B will remain unsecured.

(vi) On the First Closing Date, the Subscriber shall have the right to appoint one NED nominated by the Subscriber (subject to having obtained the Nominating Committee's, the Board's and Sponsor's approval (collectively, the "**Relevant Approvals**")) to the Board, and until the disbursement of T2 CN B, the Subscriber shall not have any of the following rights:

(a) Rights to nominate the second NED for appointment;

(b) Rights to review the suitability of the IDs in advance of their appointment;

(c) Rights to nominate the CFO for appointment; or

(d) Rights to consent to the appointment of, removal of, or change in role of the CEO and CFO.

The above rights shall vest in the Subscriber immediately upon the disbursement of T2 CN B and the Company shall (subject to receiving the Relevant Approvals) take all such steps as necessary to effect the the Subscriber's nominee as CFO and an additional NED to the Company on the date of disbursement of T2 CN B.

(vii) The reconstitution of the Board (comprising 2 directors nominated by the Subscriber and 2 independent directors whose suitability shall be reviewed by the Subscriber in advance) shall take place at the AGM 2017, which is scheduled to take place after the EGM.

(viii) The Company has to obtain the Subscriber's prior written consent if it wishes to undertake material transactions, undertakings and corporate actions (the "**Negative Covenant**"), upon the disbursement of the T2 CN B. In the event that T2 CN B is not disbursed after the First Closing Date, the Company is not bound by the Negative Covenant. However, the Subscriber will have the right to elect not to proceed to disburse either of T1 CN B or T2 CN B should the Company undertake any such material transactions, undertakings and corporate actions prior to the issue of T1 CN B or T2 CN B. For the avoidance of doubt, if such actions occur after T1 CN B has been issued but before the issue of T2 CN B, this will not, of itself, constitute an event of default under the conditions of T1 CN B.

(ix) The Company is required to despatch the Shareholders' circular for the above transactions by 6 April 2017 and convene the EGM by 21 April 2017. In the event that the Company has exercised its best endeavours but is unable to meet the aforesaid stipulated timelines, *inter alia*, due to the approval process by any relevant regulatory authority, the parties may mutually agree to extend the time required to meet such timelines. In the event no mutual agreement is reached, either the Company or the Subscriber may terminate the Amended and Restated Agreement and the parties shall have no further obligations to each other (save for any provisions which survive termination, including the obligation of the Company to reimburse the Subscriber for costs).

3. APPLICATION OF RULE 803 OF THE CATALIST RULES

The Exchange has informed the Company that T1 CN B may be issued by the Company without having obtained Shareholders' approval pursuant to Rule 803 of the Catalist Rules on the following basis:

(a) The Subscriber will nominate 1 NED, with the existing Board of 5 members remaining;

(b) Shareholders' approval will be obtained before the Company can draw down on T2 CN B;

(c) The Board will not be reconstituted until Shareholders' approval for issuance of T2 CN B is obtained;

(d) The Subscriber will only be able to exercise its rights under the Negative Covenant after Shareholders approve the issuance of T2 CN B; and

(e) All other key terms (such as reviewing suitability of IDs by the Subscriber, nomination of CFO by the Subscriber, the security pledge and seeking the Subscriber's consent for appointment, removal or change of the CEO and CFO) will only apply after Shareholders approve the issuance of T2 CN B.

Accordingly, the Company will be proceeding with the issue of T1 CN B upon the fulfillment and/or waiver of the relevant conditions precedent and will update Shareholders when the same has been completed. The Company will proceed to convene the extraordinary general meeting ("**EGM**") to seek Shareholders' approval for the issue of T2 CN B at a later date and time to be determined. A circular containing, *inter alia*, the notice of the EGM and details in relation to T2 CN B will be despatched to Shareholders in due course.

4. CONVERSION SHARES

T1 CN B will be issued and allotted pursuant to the Share Issue Mandate granted by Shareholders at 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 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**"). As such, the remaining number of new Shares that may be issued other than on a pro rata basis is 1,020,818,091.

The number of Conversion Shares to be issued pursuant to the conversion of T1 CN B is 295,508,274 ("**T1 CN B Conversion Shares**"), representing approximately 12.01% of the existing issued share capital comprising 2,460,234,183 Shares ("**Existing Share Capital**"), or 10.72% of the enlarged share capital of 2,755,742,457 Shares. Accordingly, the allotment and issuance of 295,508,274 T1 CN B Conversion Shares would fall within the limits of the Share Issue Mandate.

The number of Conversion Shares to be issued pursuant to the conversion of T2 CN B is 1,773,049,645 ("**T2 CN B Conversion Shares**"), representing approximately 72.07% of the Existing Share Capital, or 39.15% of the enlarged share capital of 4,528,792,102 Shares (assuming the full conversion of T1 CN B).

Accordingly, the allotment and issuance of 1,773,049,645 T2 CN B Conversion Shares requires the approval of Shareholders under Section 161 of the Companies Act and Rules 803 and 805 of the Catalist Rules.

5. FINANCIAL EFFECTS

The financial effects of the issuance of the 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 unaudited financial statements of the Group for the full year ended 31 December 2016 and on the following key assumptions:

(a) The effect on the Group's loss per share ("**LPS**") is based on the assumption that the T1 CN B and T2 CN B are both issued on 1 January 2016 ("**Assumed Issue Date**").

(b) The effect on the Group's net tangible assets ("**NTA**") per Share is based on the assumption that the T1 CN B and T2 CN B are both issued on 1 January 2016.

(c) The financial effects of the Notes are limited to a period of 12 months from the Assumed Issue Date.

5.1 LPS

		Assuming no shareholders' approval for T2 CN B is obtained		**Assuming shareholders' approval for T2 CN B is obtained**	
	As at 31 December 2016	**After issuance of T1 CN B**	**After issuance and conversion of T1 CN B**	**After issuance of T1 CN B and T2 CN B**	**After issuance and conversion of T1 and T2 CN B**
Loss for the year attributable to Shareholders[(1)] (S$'000)	(40,155)	(41,135) [(2), (3)]	(40,535) [(3)]	(44,735) [(3), (4)]	(40,535) [(3)]
Weighted average number of issued shares ('000)	2,353,082 [(5)]	2,353,082	2,501,643 [(6)]	2,353,082	3,393,013 [(7)]
LPS (Singapore cents)	**(1.706)**	**(1.748)**	**(1.620)**	**(1.901)**	**(1.195)**

Notes:

(1) Excludes impact of tax shield from interest expense arising from the CN B
(2) Assumes S$600,000 of accrued interest (i.e. internal rate of return of 6% per annum) for 12 months
(3) Assumes S$1.9 million of estimated transaction expenses (including S$1.4 million of upfront fee and S$500,000 of other transaction expenses) amortised over a 5-year period, i.e. S$380,000 per year.
(4) Assumes aggregate of S$4.2 million of accrued interest (i.e. internal rate of return of 6% per annum) for 12 months from T1 and T2 CN B
(5) Based on full year 2016 12-month weighted average number of issued shares
(6) Assumes the weighted average of pre-conversion shares of 2,353,081,850 and post-conversion shares of 2,648,590,124 based on conversion period of 6 months from the Assumed Issue Date. The post-conversion share count assumes 295,508,274 of converted shares based on the aggregate principal amount of T1 CN B
(7) Assumes the weighted average of pre-conversion shares of 2,353,081,850 and post-conversion shares of 4,421,639,770 based on conversion period of 6 months from the Assumed Issue Date. The post-conversion share count assumes 2,068,557,919 of converted shares based on the aggregate principal amount of T1 and T2 CN B

5.2 NTA per Share

		Assuming no shareholders' approval for T2 CN B is obtained		**Assuming shareholders' approval for T2 CN B is obtained**	
	As at 31 December 2016	**After issuance of T1 CN B**	**After issuance and conversion of T1 CN B**	**After issuance of T1 CN B and T2 CN B**	**After issuance and conversion of T1 and T2 CN B**

NTA (S$'000) [1]	37,031	34,531 [2], [3]	45,131 [2], [4]	30,931 [2], [5]	105,131 [2], 6]
Number of issued shares ('000)	2,460,234	2,460,234	2,755,742 [7]	2,460,234	4,528,792 [8]
NTA per Share (Singapore cents)	**1.51**	**1.40**	**1.64**	**1.26**	**2.32**

Notes:

(1) Excludes impact of tax shield from interest expense arising from the CN B
(2) Assumes S$1.9 million of estimated transaction expenses (including S$1.4 million of upfront fee and S$500,000 of other transaction expenses)
(3) Assumes S$600,000 of accrued interest (i.e. internal rate of return of 6% per annum) for 12 months
(4) Assumes S$10.0 million of converted shares from T1 CN B
(5) Assumes an aggregate of S$4.2 million of accrued interest (i.e. internal rate of return of 6% per annum) for 12 months from T1 and T2 CN B
(6) Assumes S$70.0 million of converted shares from T1 and T2 of CN B
(7) Assumes 295,508,274 of converted shares based on the principal amount of T1 CN B
(8) Assumes 2,068,557,919 of converted shares based on the aggregate principal amount of T1 and T2 CN B

6. USE OF PROCEEDS

Taking into account the immediate short term liquidity needs of the Company as disclosed in its announcement dated 11 March 2017, the net proceeds to be raised by the Company from the issuance of T1 CN B (after deducting estimated expenses of S$1.7 million) is approximately S$8.3 million. The Company intends to utilise all net proceeds from the issuance of T1 CN B to meet its short term liquidity needs (including payment of salaries and/or repayment of existing facilities).

The net proceeds from the issuance of T2 CN B (assuming shareholders' approval is obtained for the issuance of T2 CN B are expected to be S$59.8 million (the "**T2 CN B Net Proceeds**" after deducting estimated expenses of S$0.2 million). The Company intends to utilise approximately S$23.8 million of the T2 CN B Net Proceeds to meet its short term liquidity needs (including repayment of existing facilities and payment of salaries) and the remaining S$36.0 million for, inter alia:

a. Organic expansion of GP clinics, in locations such as Jurong, Tuas, Boon Lay, Tiong Bahru, Kallang Bahru, Alijunied, Bishan, Admiralty, Bukit Panjang, Yio Chu Kang, Bukit Gombak and East Coast. The estimated total cost of setting up these clinics in 2017 is S$2.0 million; and

b. Acquisition of specialists' clinics, for specialties such as oncology, dermatology and paediatrics. The locations identified for the oncology and dermatology clinics are hospital-based, where most of the Company's specialists are presently housed, providing more synergy between our specialists. The budget for these hospital based acquisitions is approximately S$16.0 million. The Company has also been reviewing potential acquisitions for the paediatrics clinics in the heartlands such as Jurong, Tampines, Bukit Panjang and Holland Village, for an estimated total of S$18.0 million.

Pending deployment, the T2 CN B Net Proceeds may be placed 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 all the net proceeds raised from the issuance of T1 CN B and T2 CN B (collectively, "**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.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Amended and Restated Subscription Agreement is 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 months from the date of this announcement.

8. 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.

9. 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
23 March 2017

---

*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.