



(Constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007)

ACQUISITION OF SEVEN NURSING HOMES LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Seven Nursing Homes in Japan

Parkway Trust Management Limited, as manager of Parkway Life Real Estate Investment Trust (“**Parkway Life REIT**”) and manager of Parkway Life REIT, the “**Manager**”), is pleased to announce that HSBC Institutional Trust Services (Singapore) Limited, as trustee of Parkway Life REIT (the “**Trustee**”), through its wholly owned-subsidiary Parkway Life Japan3 Pte Ltd, had entered into a *Tokumei-Kumiai* agreement in relation to the acquisition (the “**Acquisition**”) of seven properties located in Japan (as described below) (the “**Properties**”) which was acquired by GK Healthcare 1, a *Godo Kaisha*, on 29th September 2008, at a total purchase price of ¥7.845 billion (S\$105,700,000¹) and that the Acquisition has been completed today.

Pursuant to the *Tokumei-Kumiai* agreement, the Acquisition was made through a special purpose vehicle, Parkway Life Japan3 Pte Ltd, (“**SPV**”) and GK Healthcare 1, a *Godo Kaisha* incorporated under Japan law (the “**TK Operator**”).

1.2 Information on the Properties

	Property	Location	No of Rooms
1	Palmary Inn Akashi	Akashi City, Hyogo	96
2	Palmary Inn Suma	Kobe City, Hyogo	59
3	Senior Chonaikai Makuhari Kan	Chiba City, Chiba	108
4	Himawari Home Kamakura	Kamakura City, Kanagawa	53
5	Smiling Home Medis Musashi Urawa	Saitama City, Saitama	44
6	Fureai no sono Nerima Takanodai	Nerima-Ku, Tokyo	64
7	Smiling Home Medis Koshigaya Gamo	Koshigaya City, Saitama	100

¹ Based on the exchange rate of ¥1 = SGD74.219

1.3 Manner of Acquiring and Holding the Properties

Under the *Tokumei-Kumiai* agreement, a company established under Japanese law, known as a “*Godo Kaisha*”, will own the Properties.

A *Godo Kaisha* is a company similar to a limited liability company in Singapore whose members are only liable to the extent of their contribution to the *Godo Kaisha*.

The SPV, which is wholly-owned by Parkway Life REIT, has injected funds into the *Godo Kaisha* (the “**Parkway Life REIT TK Investment**”).

Parkway Life REIT, through the SPV, has entered into a separate *Tokumei-Kumiai* agreement (the “**Silent Partnership Agreement**”), with the TK Operator. The TK Operator has acquired and will hold each of the Properties by having entered into purchase and sale agreement (the “**Purchase and Sale Agreement**”) with the vendor (the “**Vendor**”) in respect of the Acquisition. As such, the Parkway Life REIT TK Investment will be equivalent to 100.0% of the sum of the value of the Properties and the costs for the Acquisition.

1.4 Lease Agreements

Each of the nursing homes has a long term lease agreement with an operator. The average unexpired lease term is 17 years. Five of the seven properties also have back-up operator agreements.

1.5 Vendor of the Properties

The Vendor is Yugem Kaisha KSLC, a wholly owned subsidiary of Kenedix Inc. (“**Kenedix**”), a third party vendor. Kenedix is a real estate asset manager in Japan and has ¥459 billion in private funds and ¥381 billion in three listed public property trusts under management. Its portfolio of real estate assets consists of offices, logistics, commercial and healthcare properties. It also has a property development arm.

1.6 Asset Management Agreement

The TK Operator has entered into an asset management agreement (the “**Asset Management Agreement**”) with KENEDIX Advisors, Inc. (the “**Asset Manager**”) in respect of the Properties. The Asset Manager is responsible for the servicing, administration and management of the Properties. The appointment of the Asset Manager is for the duration of five years and is automatically renewed subject to a refusal notice under the terms of the Asset Management Agreement.

1.7 Guarantee Letter

Kenedix Inc. has provided a guarantee letter (the “**Guarantee Letter**”) in respect of the Properties, in which Kenedix Inc. guarantees any deficit in revenue in respect of any of the Properties. This is separate and in addition to the long term lease agreements with the nursing home operators. The deficit in revenue in respect of the Properties would occur when the revenue actually received in respect of any of the Properties in any month is less than the expected amount of revenue of the respective property under the relevant lease or operating agreement (the “**Guarantee**”). The Guarantee is for the

duration of seven years and three months after the Closing Date (as defined below) in respect of the Properties, capped at 5% of the Purchase Price.

2. RATIONALE FOR THE ACQUISITION

2.1 Yield Accretion

Based on the property yield of the Acquisition, the Manager believes that the Acquisition will be accretive to unitholders of Parkway Life REIT (“**Unitholders**”).

2.2 Consistency with Parkway Life REIT’s principal investment strategy

The Acquisition is in line with the investment criteria stated in the prospectus of Parkway Life REIT dated 7 August 2007. The principal investment strategy of the Manager is to invest in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are primarily used for healthcare and/or healthcare-related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. As such, the Acquisition, which comprises seven nursing homes, is consistent with Parkway Life REIT’s principal investment strategy.

2.3 Income Diversification

The Acquisition is expected to benefit Unitholders by improving income diversification and reducing the reliance of Parkway Life REIT’s income stream on any single property.

2.4 Competitive Strengths of the Properties

The competitive strengths of the properties are proven by the high average occupancy rate of 94%. Some of the properties are located in dense residential districts while others are sea facing. These factors make them attractive retirement facilities.

In addition, the physical conditions of these facilities are also good and well renovated making them attractive residences to senior citizens.

The operators of these facilities are also experienced, as they have experienced service and nursing staff to provide a full suite of nursing care service to the residents which further enhances the competitiveness of these properties.

3. PRINCIPAL TERMS OF THE ACQUISITION

3.1 Purchase Price

The purchase price of ¥7.845 billion (S\$105,700,000), exclusive of Japanese consumption tax, equating to a net initial yield of 6.9% for the Properties (the “**Purchase Price**”) was arrived at on a willing-buyer and willing-seller basis. The Purchase Price was paid to the Vendor today (the “**Closing Date**”) after making the relevant adjustments for security deposits and allocations of taxes, expenses and revenues in relation to the Properties pursuant to the terms of the Purchase and Sale Agreement (the “**Purchase Consideration**”).

3.2 Valuation of the Properties

Colliers Halifax an independent valuer, has been commissioned to prepare an independent valuation of the Properties. In its valuation reports dated 24 September 2008 Colliers Halifax stated that the market value of the Properties is ¥8.41 billion. The valuation was prepared using the Discounted Cashflow Method. The Purchase Price is 6.7% below the valuation.

4. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION

The Manager is funding the Acquisition wholly with debt. To date, being the date of completion of the Acquisition, the aggregate leverage of Parkway Life REIT is approximately 19.7% of the deposited property of Parkway Life REIT.

The pro forma financial effects of the Acquisition are described purely for illustrative purposes and are not indicative of the actual financial effects of the Acquisition on the net tangible assets (“**NTA**”) and the distributions per unit (“**DPU**”) of Parkway Life REIT, nor are they indicative of the financial performance of Parkway Life REIT for FY2007.

The pro forma financial effects on DPU have been prepared based on the assumption that the Acquisition had been included in Parkway Life REIT’s portfolio since 1 January 2007, whereas the pro forma financial effects on the NTA have been prepared based on the assumption that the Acquisition had been included in Parkway Life REIT’s portfolio since 31 December 2007.

4.1 DPU - The DPU would have increased from 6.32 Singapore cents to 6.59 Singapore cents assuming the Acquisition had been included in Parkway Life REIT’s portfolio since 1 January 2007.

4.2 NTA - There will be no change to the NTA assuming the Acquisition had been included in Parkway Life REIT’s portfolio since 31 December 2007.

5. OTHER INFORMATION

5.1 Interests of the Directors and Controlling Unitholders

Based on information available to the Manager, as at the date of this Announcement, none of the directors of the Manager or the controlling Unitholders have an interest, direct or indirect, in the Acquisition.

5.2 Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition, the Purchase and Sale Agreement or any other transaction or agreement contemplated in relation to the Acquisition.

5.3 Disclosure under Rule 1010(13) of the Listing Manual

5.3.1 Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) classifies transactions by Parkway Life REIT into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions, and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, amongst other things, the following bases:

- (a) the net profits attributable to the assets acquired or disposed of, compared with the net profits of Parkway Life REIT;
- (b) the aggregate value of the consideration given, compared with the market capitalisation of Parkway Life REIT; and
- (c) the number of units in Parkway Life REIT ("**Units**") issued as consideration for the Acquisition, compared with the number of Units previously in issue.

5.3.2 Based on the estimated net income of the Properties compared against the net income of the existing properties in the portfolio of Parkway Life REIT for FY2007, the relative figure for the basis of comparison set out in sub-paragraph 5.3.1(a) in relation to FY2007 is approximately 4.5%;

5.3.3 Based on the total purchase price of S\$105,700,000 for the Properties, and Parkway Life REIT's market capitalisation of S\$578.0 million as at 26 September 2008, the relative figure for the basis of comparison set out in sub-paragraph 5.3.1(b) is approximately 18.3%;

5.3.4 The relative figure for the basis of comparison set out in sub-paragraph 5.3.1(c) does not apply as no Units will be issued as consideration for the Acquisition.

5.4 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 111 Somerset Road #15-01 Singapore 238164, for a period of three months commencing from the date of this Announcement:

- 5.4.1** the Purchase and Sale Agreement;
- 5.4.2** the Asset Management Agreement;
- 5.4.3** the *Tokumei-Kumiai* agreement;
- 5.4.4** the Guarantee Letter; and
- 5.4.5** the valuation reports of Colliers Halifax on the Properties

BY ORDER OF THE BOARD
 Parkway Trust Management Limited
 (Company registration no. 200706697Z)
 As manager of Parkway Life Real Estate Investment Trust

Ho Li Li
 Company Secretary

29 September 2008

Important Notice

The value of units in Parkway Life REIT (“Units”) and the income from them may fall as well as rise. Units are not obligations of deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of Parkway Life REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Parkway Life REIT is not necessarily indicative of the future performance of Parkway Life REIT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in these forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

<p>Citigroup Global Markets Singapore Pte. Ltd. and UBS AG, acting through its business group, UBS Investment Bank were the joint global co-ordinators, joint Bookrunners and joint lead underwriters to the initial public offering of Parkway Life REIT</p>
