



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

ACQUISITION OF NURSING HOME FACILITY LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Nursing Home Facility in Japan

Parkway Trust Management Limited, as manager of Parkway Life Real Estate Investment Trust (“**Parkway Life REIT**”, and as 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**”), has through its wholly-owned subsidiary, Parkway Life Japan4 Pte. Ltd. (the “**SPV**”), entered into a *Tokumei Kumiai* agreement (or silent partnership agreement, the “**TK Agreement**”) with Godo Kaisha Samurai 11, a *Godo Kaisha* incorporated under Japanese laws (the “**TK Operator**”) in relation to the acquisition of another nursing home facility, Silver Heights Hitsujigaoka Ichiban-kan & Niban-kan (the “**Property**”) by the TK Operator (the “**Acquisition**”) at a purchase price of approximately JPY1,100 million (approximately S\$13.6 million¹) (the “**Purchase Price**”). Completion is expected to take place by the first quarter of 2016 (the “**Closing Date**”).

The TK Operator has today entered into a conditional purchase and sale agreement (the “**Purchase and Sale Agreement**”) with Kabushiki Kaisha Silver Heights Sapporo, a Japanese *kabushiki kaisha*, for the purchase of the Property (the “**Vendor**”).

1.2 Certain Information on the Property

Property	Lessee	Location	No. of Rooms	Type of Property
Silver Heights Hitsujigaoka Ichiban-kan & Niban-kan	Kabushiki Kaisha Silver Heights Sapporo	Sapporo City, Hokkaido Prefecture	123	Nursing home

1.3 Manner of Acquiring and Holding the Property

Under the TK Agreement, a company established under Japanese laws, and known as a “*Godo Kaisha*”, will own the Property. 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*².

Prior to the Closing Date, the SPV, which is wholly-owned by Parkway Life REIT, shall inject funds into the TK Operator (the “**Parkway Life REIT TK Investment**”) and, as provided for in the Purchase and Sale Agreement, the TK Operator will acquire the Property.

¹ Based on the exchange rate of S\$1.00 : JPY81.00 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this announcement will be based on the Exchange Rate.

² See also paragraph 5.4 below.

The completion of the Acquisition will be subject to the satisfaction of a number of conditions including, *inter alia*, compliance with certain applicable laws and regulations and the obtaining of certain applicable governmental and regulatory approvals.

1.4 **Building Lease Agreement**

The TK Operator will pursuant to a fresh 20 year building lease agreement, grant a building lease to Kabushiki Kaisha Silver Heights Sapporo (the “**Lessee**”), a Japanese *kabushiki kaisha*, at an annual gross rental of approximately JPY88,770,000 (approximately S\$1.1 million) for the Property (the “**Building Lease Agreement**”). The Property will also have a backup operator agreement (see paragraph 1.5 below for details).

1.5 **Backup Operator Agreement**

The TK Operator has entered into a backup operator agreement with Oueikikaku Kabushiki Kaisha (the “**Backup Operator**”), a Japanese *kabushiki kaisha*, and the Lessee in relation to the Property (the “**Backup Operator Agreement**”).

The assumption of the role of the lessee by the Backup Operator under the Backup Operator Agreement is to ensure that the business for a fee-charging nursing home for the aged and other ancillary business run smoothly in the event of any cancellation or termination of the current lease.

1.6 **Asset Management Agreement**

The TK Operator has entered into an asset management agreement with Black Hills Investment, Ltd., a Japanese *kabushiki kaisha* (“**Black Hills**”, or the “**Asset Manager**”) in respect of the Property (the “**Asset Management Agreement**”). The Asset Manager is responsible for the servicing, administration and management of the Property.

The Asset Manager shall be appointed for an initial term up to 30 June 2016, and its appointment shall thereafter be automatically renewed for successive two-year periods unless the TK Operator or the Asset Manager gives a notice of non-renewal in accordance with the terms of the Asset Management Agreement.

1.7 **Information on the Vendor/Lessee and the Asset Manager**

The Vendor/Lessee, Kabushiki Kaisha Silver Heights Sapporo is a nursing home operator established in 1961 with a paid up capital of JPY230 million (approximately S\$2.8 million) as at December 2015. As at end of 2015, Kabushiki Kaisha Silver Heights Sapporo has 240 employees managing four aged care homes in Sapporo city.

Black Hills is a private real estate asset management firm that was founded in March 2007 in Japan with its core business being in the real estate markets. The assets under Black Hills’ management are approximately JPY58 billion (approximately S\$716.0 million) as at 31 December 2015.

2. **RATIONALE FOR THE ACQUISITION**

2.1 **DPU Accretion**

Based on the expected net property yield of the Acquisition of 6.7%³, the Manager believes that the Acquisition will be DPU-accretive to the unitholders of Parkway Life REIT (“Unitholders”), using pro forma historical financial information for the purpose of analysis.

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 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 Property**

The Manager believes that the high operational occupancy of the Property of approximately 94% as at 31 December 2015 reflects the competitive strengths of the Property. The Property is well located in the residential area of Sapporo City, one of the major cities in the Hokkaido Prefecture, with close proximity to Fukuzumi train station. In addition, the Property is well operated by a reputable and experienced Sapporo-based nursing home operator.

3. **CERTAIN PRINCIPAL TERMS OF THE ACQUISITION**

3.1 **Purchase Price**

The Purchase Price for the Property, exclusive of Japanese consumption tax and other estimated fees and expenses (including the acquisition fee, stamp duties, taxes payable, advisory fees, professional fees and expenses), was arrived at on a willing-buyer and willing-seller basis after taking into account the valuation of the Property by the independent valuer. Such valuation for the Property as at 29 February 2016 is set out in paragraph 3.3 below.

The Purchase Price will be paid in cash to the Vendor on the Closing Date after making the relevant adjustments for security deposits and allocations of taxes, expenses and

³ The expected net property yield is computed by dividing the contractual net property income by the Purchase Price of the Property.

revenues in relation to the Property pursuant to the terms of the Purchase and Sale Agreement.

3.2 **Acquisition Fee**

Upon completion of the Acquisition, an acquisition fee of approximately S\$135,800 is payable to the Manager pursuant to the trust deed dated 12 July 2007 (as amended), which may be payable in the form of cash and/or units in Parkway Life REIT (“Units”) as the Manager may elect.

3.3 **Valuation of the Property**

K.K. Halifax Associates (Colliers International Tokyo) (“Colliers”), an independent valuer, has been commissioned by the Trustee (in its capacity as trustee of Parkway Life REIT) to prepare an independent valuation of the Property. In its valuation report dated 9 March 2016, Colliers stated that the appraisal value of the Property as at 29 February 2016 is JPY1,150 million (approximately S\$14.2 million).

The valuation was prepared with an emphasis on the Discounted Cash Flow Method with the Cost Approach Value used as a reference and the Purchase Price is 4.35% below the valuation.

4. **MATERIAL IMPACT**

The above transaction is not expected to have any material impact on the consolidated net tangible assets or distributions per Unit for the financial year ending 31 December 2015.

5. **OTHER INFORMATION**

5.1 **Rule 1006 of the Listing Manual**

Based on the relative figures as computed on the bases set out in Rule 1006 of the listing manual of Singapore Exchange Securities Trading Limited (the “Listing Manual”), the Acquisition is a “Non-Discloseable Transaction” within the meaning of Rule 1008 of the Listing Manual.

5.2 **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 has any interest, direct or indirect, in the Acquisition.

5.3 **Service Contracts**

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition.

5.4 **TK Operator**

Pursuant to the Purchase and Sale Agreement, the TK Operator will acquire the Property from the Vendor, and the title deed to the Property will be held by the TK Operator, as the legal owner of the Property. It should be noted that the title deed of the Property is held by

the TK Operator and not by the Trustee directly due to the nature of the arrangements under the TK Agreement. As such, the Trustee is not the legal owner of the Property and has no direct control over the Property or how it is managed. Should the TK Operator become insolvent, the Trustee's right to distribution under the TK Agreement would be treated as a bankruptcy claim, and would rank junior to all debt obligations owed by the TK Operator.

Given that only the TK Operator has rights against and obligations to third parties as the legal owner of the Property, third parties will have no recourse against the SPV, as the silent partner, and the liability of Parkway Life REIT (as a TK investor through the SPV) is thus limited to the amount of the Parkway Life REIT TK Investment.

5.5 **Documents for Inspection**

Copies of the Purchase and Sale Agreement and the valuation report of Colliers on the Property are available for inspection during normal business hours at the registered office of the Manager at 80 Robinson Road, Singapore 068898 for a period of three months commencing from the date of this announcement.

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

Chan Wan Mei
Company Secretary
24 March 2016

Important Notice

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**") and the units in Parkway Life REIT, the "**Units**").

The value of Units and the income from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, Parkway Trust Management Limited, as manager of Parkway Life REIT (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 Singapore Exchange Securities Trading Limited (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 or the Manager is not necessarily indicative of the future performance of Parkway Life REIT or the Manager.

This announcement may contain forward-looking statements that involve assumptions, 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, shifts in expected levels of property rental income, changes in operating expenses, property expenses, governmental and public policy changes and the continued availability of financing in the amounts and on the terms necessary to support Parkway Life REIT's future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.