



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

ACQUISITION OF SIX PROPERTIES LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Six Properties 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 five *Tokumei-Kumiai* agreements (or silent partnership agreements, collectively, the "**TK Agreements**") with the TK Operators (as defined below) in relation to the acquisition of six nursing home and care facility properties located in Japan (the "**Properties**", as described below) by the TK Operators (the "**Acquisition**") at a total purchase price of approximately ¥3.9 billion (approximately S\$60,467,000¹) (the "**Purchase Price**"). Completion is expected to take place no later than 24 June 2010 ("**Closing Date**").

Godo Kaisha Samurai, Godo Kaisha Samurai 2, Godo Kaisha Samurai 3, Godo Kaisha Samurai 4 and Godo Kaisha Samurai 5 (collectively, the "**TK Operators**"), each a *Godo Kaisha* incorporated under Japan law, have today entered into conditional sale and purchase agreements ("**Purchase and Sale Agreements**") with *Kabushiki Kaisha Sawayaka Club* ("**Sawayaka**"), and *Kabushiki Kaisha Bonheure* ("**Bonheure**" and, collectively with Sawayaka, the "**Vendors**") for the acquisition of the Properties.

1.2 Certain Information on the Properties

	Property	TK Operator acquiring Property	Vendor	Location	No. of Rooms
1.	Obatake Ichiban-kan	Godo Kaisha Samurai	Sawayaka	Kitakyushu City, Fukuoka, Japan	78
2.	Obatake Niban-kan	Godo Kaisha Samurai 5	Sawayaka	Kitakyushu City, Fukuoka, Japan	26
3.	Shinmoji-kan	Godo Kaisha Samurai 3	Sawayaka	Kitakyushu City, Fukuoka, Japan	112
4.	Nokata-kan	Godo Kaisha Samurai 4	Sawayaka	Fukuoka City, Fukuoka, Japan	100
5.	Nogata-kan	Godo Kaisha Samurai 2	Sawayaka	Nogata City, Fukuoka, Japan	78
6.	Sakura-kan	Godo Kaisha Samurai	Bonheure	Semboku City, Akita, Japan	110

¹ Based on the exchange rate of S\$1.00 : ¥65.0 (the "**Exchange Rate**"). Unless otherwise stated, all conversions of ¥ amounts into S\$ in this announcement will be based on the Exchange Rate.

1.3 Manner of Acquiring and Holding the Properties

Under the TK Agreements, five separate companies established under Japanese law, each 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*.

Prior to the Closing Date, the SPV, which is wholly-owned by Parkway Life REIT, shall inject funds into the *Godo Kaishas* (the "**Parkway Life REIT TK Investment**") and, as provided for in the Purchase and Sale Agreements, each TK Operator will acquire the Properties from the Vendors. The Parkway Life REIT TK Investment in the TK Operators will be equivalent to 100.0% of the sum of the value of the Properties and the costs for the Acquisition.

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 Agreements, Backup Operator Agreements and Rental Income Guarantees

Each of the Properties will have a fresh 20 year master lease/operating lease agreement with the existing operator, Sawayaka (the "**Building Lease Agreements**"), pursuant to which the TK Operators will grant a master lease to Sawayaka in respect of the Properties at an annual gross rental of approximately ¥350 million (approximately S\$5.4 million).

Sawayaka as the existing operator of the Properties will also enter into backup operator agreements with the TK Operators and the backup operator, MCP Co., Ltd. (the "**Backup Operator**"), and the backup operator agreements, the "**Backup Operator Agreements**"), to ensure that, *inter alia*, in the event Sawayaka is unable to continue operating the Properties, the Backup Operator will assume the operation of the Properties expediently, with minimal interference to the residents of the Properties.

Further, *Kabushiki Kaisha* Uchiyama Holdings ("**Uchiyama**"), the parent company of the Vendors, and Bonheure (collectively, the "**Guarantors**"), in connection with the entry into the Building Lease Agreements by the TK Operators, irrevocably, unconditionally and absolutely, jointly and severally guarantee (*rentai hoshō*) the prompt payment or fulfillment of all obligations (including, without limitations, all obligations to make rental payments) of Sawayaka to each of the TK Operators under the Building Lease Agreements (the "**Rental Income Guarantees**").

1.5 Asset Management Agreements

Each TK Operator has entered into an asset management agreement with Black Hills Investment Ltd. ("**Black Hills**", or the "**Asset Manager**") in respect of the relevant Properties (the "**Asset Management Agreements**"). The Asset Manager is responsible for the servicing, administration and management of the Properties. The Asset Manager shall be appointed for an initial term up to June 2012, and its appointment shall thereafter be automatically renewed for successive 2-year periods unless the TK Operators or the Asset Manager gives a notice of non-renewal in accordance with the terms of the relevant Asset Management Agreement.

1.6 Undertaking Letter

The Vendors have provided an undertaking letter to the TK Operators collectively in respect of the Properties acquired by the TK Operators (the "**Undertaking Letter**"), in which the Vendors agree to jointly and severally:

- (i) reimburse the TK Operators for any defects within three months after the Closing Date;
- (ii) indemnify and hold harmless the TK Operators against any losses or damages, direct or indirect, resulting from or in connection with the failure of the Vendors to obtain certain boundary confirmations;
- (iii) indemnify and hold harmless the TK Operators against the costs and expenses of causing to be fully compliant with applicable government rules, any signboards or other structures on the Properties that were erected without all required permits and licenses; and
- (iv) indemnify and hold harmless the TK Operators against the costs and expenses arising out of or in connection with any non-compliance with applicable government rules.

Further, pursuant to the Undertaking Letter, the Vendors shall take, at their own cost and expense, all necessary steps to assist the TK Operators in applying for and receiving certain governmental licenses and approvals.

The above Undertaking Letter is separate and in addition to the Building Lease Agreements.

1.7 Memorandum of Understanding re Right of First Refusal

Uchiyama and the Vendors have further entered into a Memorandum of Understanding with the TK Operators ("**MOU**") pursuant to which they agree, and shall cause their respective affiliates to agree, to provide to the TK Operators and/or their respective investors a right of first refusal (with an exclusive negotiation period of two (2) months) with respect to any disposition after the date of the MOU of any nursing-home properties held by Uchiyama, the Vendors or their affiliates. Subject to the terms and conditions of the MOU, the TK Operators may exercise this right of first refusal themselves or may designate any affiliate of any TK Operator or of an investor of any TK Operator to exercise this right of first refusal.

1.8 Information on Uchiyama, the Vendors and the Asset Manager

Uchiyama is a Japan-based company engaged in two main businesses – nursing home operations under Sawayaka, and family karaoke and food and beverage operations under Bonheure. In total, Uchiyama employs more than 3,000 employees as at March 2010.

Sawayaka currently operates 38 care services facilities (including nursing homes) in Japan, of which 32 are in the Fukuoka prefecture. It is currently the largest private nursing home operator in Kyushu with 13 years of operational experience.

Bonheure operates 69 family karaoke stores and 25 restaurants around Japan. It is the largest family karaoke operator in Kyushu and employs about 1,650 employees.

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. Since its inception, it has

completed three major transactions with assets under management of approximately S\$390 million.

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 yield-accretive to the 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 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 Manager believes that the competitive strengths of the Properties are reflected by the high average occupancy rate of 93.9%. All the properties are well-equipped and strategically located in dense residential districts, which make them attractive retirement facilities. In addition, the facilities are well-renovated and in good physical condition, making them attractive residences to senior citizens. The facilities are operated by experienced service and nursing staff who provide a wide range of nursing care services to the residents, contributing to the competitiveness of these properties.

3. CERTAIN PRINCIPAL TERMS OF THE ACQUISITION

3.1 Purchase Price

The total purchase price of ¥3.9 billion (approximately S\$60,467,000), exclusive of Japanese consumption tax and other estimated fees and expenses (including the acquisition fee, stamp duty, taxes payable, advisory fees, professional fees and expenses) incurred or to be incurred in connection with the Acquisition, for the Properties (the "**Purchase Price**") was arrived at on a willing-buyer and willing-seller basis and will be paid in cash to the Vendors on 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 Agreements.

3.2 Valuation of the Properties

Colliers Halifax an independent valuer, has been commissioned by the Manager to prepare an independent valuation of the Properties. In its valuation reports dated 31 May

2010, Colliers Halifax stated that the total appraisal value of the Properties as at 1 April 2010 is ¥4.04 billion (approximately S\$62,200,000). The valuation was prepared using the Discounted Cash flow Method and the Purchase Price is 2.8% below the valuation.

	Property	Purchase Price (¥)	Valuation (¥)
1.	Obatake Ichiban-kan	660,000,000	686,000,000
2.	Obatake Niban-kan	276,000,000	285,000,000
3.	Shinmoji-kan	848,000,000	866,000,000
4.	Nokata-kan	790,382,000	840,000,000
5.	Nogata-kan	631,000,000	639,000,000
6.	Sakura-kan	725,000,000	727,000,000
	Total	3,930,382,000	4,043,000,000

4. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION

The Manager proposes to fund the Acquisition wholly with debt. As at the date of this announcement, the aggregate leverage of Parkway Life REIT is approximately 28.5% of the deposited property of Parkway Life REIT and will be approximately 32.2% upon completion of the Acquisition.

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. The pro forma financial effects on the DPU have been based on the assumption that the Acquisition had been included in Parkway Life REIT's portfolio since 1 January 2009, 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 2009.

4.1 Pro Forma DPU

The DPU would have increased from 7.74 Singapore cents to 8.06 Singapore cents assuming the Acquisition had been included in Parkway Life REIT's portfolio since 1 January 2009.

4.2 Pro Forma NTA

There will be no change to the NTA assuming the Acquisition had been included in Parkway Life REIT's portfolio since 31 December 2009.

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 has any 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.

5.3 TK Operator

Pursuant to the Purchase and Sale Agreements, the TK Operators will acquire the Properties from the Vendors and the title deeds to the Properties will be held by the TK Operators, as the legal owner of the respective Properties. It should be noted that the title deeds of the Properties are held by the TK Operators and not by the Trustee directly due to the nature of the arrangements under the TK Agreements. As such, the Trustee is not the legal owner of the Properties and has no direct control over the Properties nor how they are managed. Should the TK Operators become insolvent, the Trustee's right to distribution under the TK Agreements would be treated as a bankruptcy claim, and would rank junior to all debt obligations owed by the TK Operators.

Given that only the TK Operators have rights against and obligations to third parties as the legal owners of the respective Properties, 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 Parkway Life REIT TK Investments.

5.4 Disclosure under Rule 1006 of the Listing Manual

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 based on the total number of issued units in Parkway Life REIT ("**Units**"); and
- (c) the number of Units issued as consideration for the Acquisition, compared with the number of Units previously in issue.

Based on the estimated total net income of the Properties of approximately S\$1.9 million compared against the net income of the existing properties in the portfolio of Parkway Life REIT for FY2009 of approximately S\$43.5² million, the relative figure for the basis of comparison set out in sub-paragraph 5.4(a) in relation to FY2009 is approximately 4.5%.

Based on the Purchase Price of approximately S\$60.5 million for the Properties, and Parkway Life REIT's market capitalisation of S\$821.8 million as at 8 June 2010, the relative figure for the basis of comparison set out in sub-paragraph 5.4(b) is approximately 7.36%.

The relative figure for the basis of comparison set out in sub-paragraph 5.4(c) does not apply as no Units will be issued as consideration for the Acquisition.

5.5 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 8 Cross Street, #11-00, PWC Building, Singapore 048424 for a period of three months commencing from the date of this announcement:

² Before changes in fair value of financial derivatives and investment properties.

- 5.5.1** the Purchase and Sale Agreements between each of the TK Operators and the respective Vendor of each of the Properties;
- 5.5.2** the Asset Management Agreements between each of the TK Operators and the Asset Manager;
- 5.5.3** the TK Agreements between each of the TK Operators and the SPV;
- 5.5.4** the Undertaking Letter;
- 5.5.5** 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

Tan Ping Ping
Company Secretary
9 June 2010

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 Ltd, 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.