



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

DIVESTMENT OF SEVEN NURSING HOME PROPERTIES LOCATED IN JAPAN

1. INTRODUCTION

1.1 Divestment of Seven Nursing Home 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**”), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, as trustee of Parkway Life REIT (the “**Trustee**”), has through its special purpose entities incorporated in Japan (the “**Vendors**”, each a “**Vendor**”), entered into a purchase and sale agreement (the “**Purchase and Sale Agreement**”) with Lycia Godo Kaisha, a *Godo Kaisha* incorporated under Japanese laws and a wholly-owned subsidiary of leading global investment firm, Fortress Japan Investment Holdings LLC (the “**Purchaser**”) in relation to the divestment of seven nursing home properties in Japan (the “**Properties**”, each a “**Property**”) for a total sale consideration of ¥7,950,000,000 (approximately S\$88.3million¹) (the “**Sale Consideration**”). Completion of the divestment of the Properties (the “**Divestment**”) has taken place today.

1.2 Certain Information on the Properties

Property	Location	No. of Storey/ Rooms	Year of Building Completion	Land Tenure
Fureai no sono Nerima Takanodai	Nerima City, Tokyo Prefecture, Japan	3-storey/ 64 rooms	1988 (conversion works completed in 2005)	Freehold
Himawari Home Kamakura	Kamakura City, Kanagawa Prefecture, Japan	3-storey/ 53 rooms	1992 (conversion works completed in 2003)	Freehold
Supercourt Kadoma	Kadoma City, Osaka Prefecture, Japan	5-storey/ 88 rooms	2007	Leasehold of 50 years from 1 December 2007
Supercourt Takaishi Hagoromo	Takaishi City, Osaka Prefecture, Japan	3-storey/ 98 rooms	2008	Leasehold of 30 years from 1 November 2008
Sawayaka Hirakatakan	Hirakata City, Osaka Prefecture, Japan	5-storey/ 108 rooms	2008 (conversion works completed in 2009)	Freehold
Sawayaka Nokatakan	Fukuoka City, Fukuoka Prefecture, Japan	3-storey/ 100 rooms	2007	Freehold
Sawayaka Parkside Shinkawa	Kitakyushu City, Fukuoka Prefecture, Japan	5-storey/ 58 rooms	2003	Freehold

¹ Based on the exchange rate of S\$1.00 : ¥90.00 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of ¥ amounts into S\$ in this announcement will be based on the Exchange Rate.

2. RATIONALE FOR THE DIVESTMENT

2.1 Divestment Gain

Parkway Life REIT is expected to recognise an estimated divestment gain (net of tax but inclusive of Japanese consumption tax rebate receivable) of approximately S\$12.3 million (approximately 16.1%) over the book value of the Properties of S\$75.7 million as at 31 December 2013.

The Divestment at the Sale Consideration of ¥7,950,000,000 (approximately S\$88.3 million) is 28.1% or ¥1,746,000,000 (approximately S\$19.4 million) higher than Parkway Life REIT's original purchase price of the Properties of ¥6,204,000,000 (approximately S\$68.9 million).

2.2 Consistency with Parkway Life REIT's proactive management strategy

The divestment which sees Parkway Life REIT unlocking value from properties which are of less strategic value is in line with the Manager's recycling strategy to rebalance and strengthen the overall quality and growth potential of Parkway Life REIT's Japan portfolio. The divestment will further strengthen Parkway Life REIT's balance sheet and provide greater financial flexibility for Parkway Life REIT to seize other attractive investment opportunities offering better value, which would serve to enhance the overall value and growth potential of Parkway Life REIT.

2.3 Realisation of the value of the Properties above valuation

The Divestment is at 8.3% or ¥609,000,000 (approximately S\$6.7million) above the latest valuation of ¥7,341,000,000 (approximately S\$81.6 million) of the Properties as at 1 November 2014 (see paragraph 3.3 below for further details on the valuation of the Properties).

3. CERTAIN PRINCIPAL TERMS OF THE DIVESTMENT

3.1 Sale and Purchase

The Sale Consideration for the Properties of ¥7,950,000,000 (approximately S\$88.3 million) was arrived at on a willing-buyer and willing-seller basis after taking into account the latest valuation of the Properties as at 1 November 2014 by the independent valuers set out in paragraph 3.3 below.

The Sale Consideration has been paid in cash by the Purchaser to the respective Vendors today after the relevant adjustments were made 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.

3.2 Divestment Fee

Upon completion of the Divestment, a divestment fee of approximately S\$0.4 million is payable to the Manager pursuant to the trust deed constituting Parkway Life REIT dated 12 July 2007 (as amended), which may be payable in the form of cash and/or units of Parkway Life REIT ("**Units**") as the Manager may elect.

3.3 Original Purchase Price, Valuation and Sale Consideration of the Properties

DTZ Debenham Tie Leung K.K. (“DTZ”), an independent valuer, has been commissioned by the Trustee (in its capacity as trustee of Parkway Life REIT) to prepare an independent valuation for each of Fureai no sono Nerima Takanodai and Himawari Home Kamakura. DTZ had on 1 December 2014 issued its valuation reports for the respective Properties valued by it, setting out, *inter alia*, the appraisal value of the Properties as at 1 November 2014.

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 for each of the remaining Properties, namely, Supercourt Kadoma, Supercourt Takaishi Hagoromo, Sawayaka Nokatakan, Sawayaka Hirakatakan and Sawayaka Parkside Shinkawa. Colliers had on 1 December 2014 issued its valuation reports for the respective Properties valued by it, setting out, *inter alia*, the appraisal value of the respective Properties as at 1 November 2014.

The valuations were prepared with the emphasis on the income capitalisation approach value (estimated using the direct capitalisation and discounted cash flow methods) with reference to the cost approach value.

The following sets out the break-down of each Property’s original purchase price, valuation and sale consideration:

Property	Original Purchase Price (¥)	Valuation (¥)	Sale Consideration (¥)
Fureai no sono Nerima Takanodai	1,286,000,000	1,580,000,000	1,615,000,000
Himawari Home Kamakura	955,000,000	1,060,000,000	1,100,000,000
Supercourt Kadoma	498,000,000	634,000,000	725,000,000
Supercourt Takaishi Hagoromo	541,000,000	715,000,000	810,000,000
Sawayaka Hirakatakan	1,200,000,000	1,410,000,000	1,530,000,000
Sawayaka Nokatakan	790,000,000	922,000,000	1,020,000,000
Sawayaka Parkside Shinkawa	934,000,000	1,020,000,000	1,150,000,000
Total	6,204,000,000	7,341,000,000	7,950,000,000

4. USE OF DIVESTMENT PROCEEDS AND FINANCIAL EFFECTS OF THE DIVESTMENT

4.1 Use of Divestment Proceeds

The current estimated net proceeds from the Divestment and including the Japanese consumption tax rebate receivable is approximately S\$83.5 million following deductions for the estimated professional and other fees, expenses and relevant adjustments for security deposits incurred in connection with the Divestment of approximately S\$4.8 million.

The net proceeds from the Divestment and the consumption tax rebate receivable will further strengthen Parkway Life REIT’s balance sheet and the Manager’s current intention is to utilise such proceeds to seize other attractive investment opportunities offering better value, which would serve to enhance the overall value and growth potential of Parkway Life REIT.

4.2 Pro Forma Financial Effects

The pro forma financial effects of the Divestment is described purely for illustrative purposes and are not indicative of the actual financial effects of the Divestment on the net asset value ("**NAV**") per unit 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 Properties have been divested on 1 January 2013, whereas the pro forma financial effects on the NAV have been prepared based on the assumption that the Properties have been divested on 31 December 2013.

	Audited FY2013	Pro Forma FY2013 After the Divestment
DPU (Singapore cents)	10.75	10.32
NAV per Unit (Singapore dollar)	1.63	1.65

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 Divestment.

5.2 Service Contracts

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

5.3 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 asset value of the assets to be disposed of, compared with Parkway Life REIT's net asset value;
- (b) the net profits attributable to the assets acquired or disposed of, compared with the net profits of Parkway Life REIT; and
- (c) the aggregate value of the consideration given or received, compared with the market capitalisation of Parkway Life REIT based on the total number of issued Units.

Under Rule 1006 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the transaction will be regarded as being a discloseable transaction.

Based on the net asset value of the Properties compared against the net asset value of the existing properties in the portfolio of Parkway Life REIT as at 30 September 2014 (as adjusted for the completion of the Habitation Jyosui property on 12 December 2014), the relative figure for the basis of comparison set out in sub-paragraph 5.3(a) is approximately 5.0%.

Based on the estimated total net income of the Properties compared against the annualised net income of the existing properties in the portfolio of Parkway Life REIT as at 30 September 2014 (as adjusted for the completion of the Habitation Jyosui property on 12 December 2014), the relative figure for the basis of comparison set out in sub-paragraph 5.3(b) is approximately 3.4%.

Based on the Sale Consideration and Parkway Life REIT's market capitalisation of S\$1,430.8 million as at 24 December 2014, the market day preceding the date of the Purchase and Sale Agreement, the relative figure for the basis of comparison set out in sub-paragraph 5.3(c) is approximately 6.2%.

5.4 Documents for Inspection

Copies of the Purchase and Sale Agreement and the valuation reports of Colliers and DTZ (as the case may be) on the Properties 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
26 December 2014

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.