



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

DIVESTMENT OF NON-CORE PROPERTY LOCATED IN JAPAN

1. INTRODUCTION

1.1 Divestment of Non-Core Property 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 entity incorporated in Japan (the “**Vendor**”), entered into a purchase and sale agreement (the “**Purchase and Sale Agreement**”) with Hulic Co., Ltd, a leading real estate company in Japan (the “**Purchaser**”) in relation to the divestment of an industrial property in Japan (the “**Property**”) for a total sale consideration of JPY2.9 billion (approximately S\$37.1 million¹) (the “**Sale Consideration**”). Completion of the divestment of the Property (the “**Divestment**”) has taken place today.

1.2 Certain Information on the Property

Property	Location	Land Area	Year of Building Completion	Land Tenure
P-Life Matsudo	Chiba Prefecture, Japan	8,450m ²	2005	Freehold

2. RATIONALE FOR THE DIVESTMENT

2.1 Divestment Gain

Parkway Life REIT is expected to recognise an estimated gain on disposal of investment property (before tax) of approximately S\$5.1 million.

The Divestment at the Sale Consideration of JPY2.9 billion (approximately S\$37.1 million) is 12.0% higher than Parkway Life REIT’s original purchase price of the Property of JPY2.59 billion (approximately S\$33.2 million).

2.2 Consistency with Parkway Life REIT's Strategic Asset Recycling Strategy

Currently, Parkway Life REIT owns 50 properties in Japan consisting mainly nursing homes diversified across various prefectures and contributing 96.7% of its Japan portfolio’s revenue. The Property is deemed as a non-core asset. Acquired in 2008, the property was Parkway Life REIT’s maiden investment into Japan and its only industrial property (built to the specific requirements of a healthcare company presently known as Abbott Diagnostics

¹ Based on the exchange rate of S\$1.00: JPY78.06 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this announcement will be based on the Exchange Rate.

Medical Co. Ltd.).

The Divestment, which sees Parkway Life REIT unlocking value from a non-core property of less strategic value, is in line with the Manager's asset 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 Property above valuation

The Divestment is at 20.3% or JPY490 million (approximately S\$6.3 million) above the latest valuation of JPY2.41 billion (approximately S\$30.9 million) of the Property as at 31 December 2020 (see paragraph 3.3 below for further details on the valuation of the Property).

3. CERTAIN PRINCIPAL TERMS OF THE DIVESTMENT

3.1 Sale and Purchase

The Sale Consideration for the Property of JPY2.9 billion (approximately S\$37.1 million) was arrived at on a willing-buyer and willing-seller basis after taking into account the latest valuation of the Property as at 31 December 2020 by the independent valuer set out in paragraph 3.3 below.

The Sale Consideration has been paid in cash by the Purchaser to the Vendor today after the relevant adjustments were made for security deposits and allocations of taxes, expenses and revenues in relation to the Property pursuant to the terms of the Purchase and Sale Agreement.

3.2 Fees

Upon completion of the Divestment:

- (a) a divestment fee of approximately S\$186,000 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;
- (b) a brokerage fee of approximately JPY58 million (approximately S\$0.74 million), excluding tax, is payable to the broker responsible for brokering the divestment of the Property; and
- (c) a disposition fee of approximately JPY7.1 million (approximately S\$0.09 million), excluding tax, is payable to the asset manager of the Property for facilitating the divestment of the Property.

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

ENRIX Co., Ltd. (“**Enrix**”), an independent valuer, has been commissioned by the Manager (in its capacity as manager of Parkway Life REIT) to prepare an independent valuation for the Property. Enrix had on 18 January 2021 issued its valuation report for the Property valued by it, setting out, *inter alia*, the appraisal value of the Property as at 31 December 2020.

The valuation was 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 the Property’s original purchase price, valuation and sale consideration:

Property	Original Purchase Price (JPY)	Valuation (JPY)	Sale Consideration (JPY)
P-Life Matsudo	2,590,000,000	2,410,000,000	2,900,000,000

4. USE OF DIVESTMENT PROCEEDS AND MATERIAL IMPACT

4.1 Use of Divestment Proceeds

The current estimated net proceeds from the Divestment is approximately S\$34.7 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\$2.4 million.

The net proceeds from the Divestment 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 Material Impact

The Divestment is not expected to have any material impact on the consolidated net tangible assets or distributions per Unit for the financial period ended 31 December 2020.

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

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 Divestment is a “Non-Discloseable Transaction” within the meaning of Rule 1008 of the Listing Manual.

5.4 Documents for Inspection

Copies of the Purchase and Sale Agreement and the valuation report of Enrix 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
29 January 2021

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.