



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

## DIVESTMENT OF FOUR NURSING HOME PROPERTIES LOCATED IN JAPAN

### 1. INTRODUCTION

#### 1.1 Divestment of Four 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 purchase and sale agreements (the “**Purchase and Sale Agreements**”) with wholly-owned subsidiaries of leading global investment firm, Fortress Japan Investment Holdings LLC (the “**Purchasers**”, each a “**Purchaser**”) in relation to the divestment of four nursing home properties in Japan (the “**Properties**”, each a “**Property**”) for a total sale consideration of ¥3.72 billion (approximately S\$48.9 million<sup>1</sup>) (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
Bon Sejour Ibaraki	Ibaraki City, Osaka Prefecture, Japan	4-storey/ 94 rooms	2008	Leasehold of 50 years from 1 May 2007
Legato Higashi Sumiyoshi	Osaka City, Osaka Prefecture, Japan	7-storey/ 71 rooms	2006	Freehold
Legato Katano	Katano City, Osaka Prefecture, Japan	3-storey/ 49 rooms	2004	Freehold
Royal Residence Gotenyama	Hirakata City, Osaka Prefecture, Japan	4-storey (with basement)/ 44 rooms	2006	Freehold

<sup>1</sup> Based on the exchange rate of S\$1.00 : ¥76.00 (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 (before tax but inclusive of Japanese consumption tax rebate receivable) of approximately S\$5.2 million over the book value of the Properties of S\$46.6 million as at 31 December 2015.

The Divestment at the Sale Consideration of ¥3.72 billion (approximately S\$48.9 million) is 34.4% or ¥950 million (approximately S\$12.5 million) higher than Parkway Life REIT's original purchase price of the Properties of ¥2.77 billion (approximately S\$36.4 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 4.8% or ¥170 million (approximately S\$2.2 million) above the latest valuation of ¥3.55 billion (approximately S\$46.7 million) of the Properties as at 30 November 2016 (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 ¥3.72 billion (approximately S\$48.9 million) was arrived at on a willing-buyer and willing-seller basis after taking into account the latest valuation of the Properties as at 30 November 2016 by the independent valuer set out in paragraph 3.3 below.

The Sale Consideration has been paid in cash by the Purchasers 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 Agreements.

### 3.2 **Fees**

Upon completion of the Divestment:

- (a) a divestment fee of approximately S\$245,000 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 ¥37.2 million (approximately S\$489,000), excluding tax, is payable to the broker responsible for brokering the divestment of the Properties; and
- (c) a disposition fee of approximately ¥9.16 million (approximately S\$121,000), excluding tax, is payable to the respective asset managers of the Properties for facilitating the divestment of the Properties.

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

K.K. Halifax Associates, Colliers International Tokyo (“**Colliers**”), 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 Properties. Colliers had on 15 December 2016 issued its valuation reports for the respective Properties valued by it, setting out, *inter alia*, the appraisal value of the respective Properties as at 30 November 2016.

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 (¥)
Bon Sejour Ibaraki	1,121,000,000	1,180,000,000	1,182,000,000
Legato Higashi Sumiyoshi	759,000,000	1,100,000,000	1,177,632,000
Legato Katano	499,000,000	696,000,000	745,157,000
Royal Residence Gotenyama	389,000,000	574,000,000	615,211,000
<b>Total</b>	<b>2,768,000,000</b>	<b>3,550,000,000</b>	<b>3,720,000,000</b>

## 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\$45.6 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\$3.3 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 2015, 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 2015.

	Audited FY2015	Pro Forma FY2015 After the Divestment
DPU (Singapore cents)	13.29	13.03
NAV per Unit (Singapore dollar)	1.69	1.70

#### 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 2016, the relative figure for the basis of comparison set out in sub-paragraph 5.3(a) is approximately 4.7%.

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 2016, the relative figure for the basis of comparison set out in sub-paragraph 5.3(b) is approximately 2.4%.

Based on the Sale Consideration and Parkway Life REIT's market capitalisation of S\$1,433.9 million as at 21 December 2016, the market day preceding the date of the Purchase and Sale Agreements, the relative figure for the basis of comparison set out in sub-paragraph 5.3(c) is approximately 3.4%.

#### 5.4 **Documents for Inspection**

Copies of the Purchase and Sale Agreements and the valuation reports of Colliers 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  
22 December 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.