

OTHERS Media Release: Parkway Life Real Estate Investment Trust ("PLife REIT") and IHH Healthcare Berhad ("IHH Healthcare") Extend Strategic Collaboration for Singapore Hospitals

IHH HEALTHCARE BERHAD

Type	Announcement
Subject	OTHERS
Description	Media Release: Parkway Life Real Estate Investment Trust ("PLife REIT") and IHH Healthcare Berhad ("IHH Healthcare") Extend Strategic Collaboration for Singapore Hospitals

Please find attached the media release dated 14 July 2021 entitled "PLife REIT and IHH Healthcare Extend Strategic Collaboration for Singapore Hospitals".

This announcement is dated 14 July 2021.

Please refer attachment below.

Attachments

[PLife REIT and IHH Healthcare Extend Strategic Collaboration for Singapore Hospitals.PDF](#)
524.5 kB

Announcement Info

Company Name	IHH HEALTHCARE BERHAD
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NEWS RELEASE

FOR IMMEDIATE RELEASE

**PLIFE REIT AND IHH HEALTHCARE EXTEND
STRATEGIC COLLABORATION FOR SINGAPORE HOSPITALS**

- **New Master Lease Agreements for three Singapore Hospitals; extended term of ~20 years to 31 December 2042 provides business continuity and stability of operations for IHH Healthcare Singapore and sustained rental income stream for PLife REIT**
- **S\$150 million Renewal Capex Agreement will enhance the Singapore Hospitals to sustain competitiveness and ride the growth potential of Singapore's healthcare industry**
- **ROFR agreement for Mount Elizabeth Novena Hospital Property signifies alignment of interests, paving the way for future collaboration between IHH Healthcare Singapore and PLife REIT**

Singapore, 14 July 2021 – Parkway Trust Management Limited ("**Manager**"), as manager of Parkway Life Real Estate Investment Trust ("**PLife REIT**"), one of Asia's largest listed healthcare REITs, together with IHH Healthcare Berhad ("**IHH Healthcare**", and together with its subsidiaries, "**the Group**"), one of the world's largest healthcare networks, are pleased to announce their strategic collaboration in relation to the:

- New master lease agreements ("**New Master Lease Agreements**") to be entered into between HSBC Institutional Trust Services (Singapore) Limited (as trustee of PLife REIT) ("**Trustee**"), as master lessor, and Parkway Hospitals Singapore Pte Ltd, a wholly-owned subsidiary of Parkway Holdings Limited ("**Sponsor**") which in turn is an indirect wholly-owned subsidiary of IHH Healthcare, as master lessee ("**Master Lessee**"), for each of Mount Elizabeth Hospital Property, Gleneagles Hospital Property and Parkway East Hospital Property (together with certain medical centre units, retail units and car park lots, where applicable, for each hospital, collectively referred to as the "**Singapore Hospitals**").

- Agreement for the carrying out by PLife REIT of renewal capital expenditure works at the Singapore Hospitals (“**Renewal Capex Agreement**”).
- Right of first refusal (“**ROFR**”) to be granted by a wholly-owned subsidiary of the Sponsor to the Trustee over the hospital block of the Mount Elizabeth Novena Hospital development (the “**Mount Elizabeth Novena Hospital Property**”) in the event of disposal of the Mount Elizabeth Novena Hospital Property¹.

The Trustee has today entered into an agreement for lease framework with the Master Lessee in relation to the agreed terms of the aforesaid New Master Lease Agreements, the Renewal Capex Agreement and the ROFR.

Mutually Beneficial Terms

New Master Lease Agreements

The New Master Lease Agreements will be for a term of approximately 20.4 years from 23 August 2022 to 31 December 2042² (“**Renewal Term**”). There is also an option to renew for a further 10 years from 1 January 2043 to 31 December 2052. The annual rent payable (“**Rent**”), rental escalation and other conditions under the New Master Lease Agreements were negotiated on an arm’s length basis and based on normal commercial terms.

With the New Master Lease Agreements, IHH Healthcare’s ability to continue operating the three hospitals in the prime locations of Singapore is maintained, strengthening its long term ability and commitment to serving patients in Singapore. Given the differentiated profiles and value proposition of Mount Elizabeth Hospital Property, Gleneagles Hospital Property and Parkway East Hospital Property, these properties capture different segments of the healthcare market and are significant contributors to the Group’s profitability. The Rent for the Singapore Hospitals for the first financial year of the Renewal Term under the New Master Lease

¹ Please refer to the SGX-ST announcement which has been issued by PLife REIT in relation to the Proposed Transaction for further details on the ROFR and the Mount Elizabeth Novena Hospital Property.

² Calculated based on the sum of the Interim Period (23 August 2022 to 31 December 2022) and 20 years from 1 January 2023 to 31 December 2042.

Agreements is in line with prevailing market rates³ and IHH Healthcare does not foresee any material financial impact to its profitability.

For PLife REIT, the New Master Lease agreements provide a steady stream of quality rental income by ensuring 100% committed occupancy for the Singapore Hospitals over a long lease term. With the Singapore Hospitals being key assets of PLife REIT⁴, the secured lease arrangements for the Singapore Hospitals will continue to underpin the organic growth of PLife REIT. The weighted average lease expiry of PLife REIT's overall portfolio (by gross rent) is also expected to improve significantly from 5.7 years to 16.6 years as at 31 December 2020.

Renewal Capex Agreement

As part of the arrangement, PLife REIT will inject a one-time renewal capital expenditure of up to S\$150 million (excluding goods and services tax) to revamp the Singapore Hospitals ("**Renewal Capex Works**"). The Renewal Capex Works will enhance the overall performance, operations and architectural design of the existing high quality properties. Utilisation of available space and resources are expected to be improved, allowing the Singapore Hospitals to meet patient demand and better serve the community as well as address emerging and evolving healthcare trends. Upon completion of the Renewal Capex Works, the Singapore Hospitals will be able to enhance the quality positioning and increase competitiveness of IHH Healthcare and PLife REIT, thereby driving further growth.

The Renewal Capex Works which will be carried out at the applicable Singapore Hospitals, are estimated to take approximately 3 years. Works are targeted to commence no later than 1 January 2023. IHH Healthcare and PLife REIT will work in close collaboration to ensure patient safety and minimise operation disruptions.

³ Rent for the first financial year of the Renewal Term is supported by the rental valuations for the Singapore Hospitals conducted by PLife REIT's independent valuers, CBRE Pte. Ltd. and Knight Frank Pte Ltd.

⁴ Singapore Hospitals contribute approximately 60.2% by asset value as at 31 December 2020 and approximately 58.9% by net property income for the financial year ended 31 December 2020, of the total portfolio of PLife REIT.

Right of First Refusal

The grant of ROFR in respect of a sale, assignment or transfer of its ownership interest (or any part thereof) of the high quality Mount Elizabeth Novena Hospital Property to PLife REIT for a period of 10 years from the date of the ROFR, serves to enhance the acquisition potential of PLife REIT. The entry into the ROFR demonstrates the strong support and alignment of interests, paving the way for potential further collaborations between IHH Healthcare and PLife REIT.

The proposed entry into the New Master Lease Agreements for the Singapore Hospitals and the Renewal Capex Agreement (“**Proposed Transaction**”) will require the approval of PLife REIT’s Unitholders which will be sought at an extraordinary general meeting to be convened in due course. For more details on the Proposed Transaction, please refer to the SGX-ST announcement which has been issued by PLife REIT concurrently.

Mr. Yong Yean Chau, Chief Executive Officer of the Manager, said: “We are pleased to extend our longstanding strategic lease arrangement with our Master Lessee. With its extensive experience and repute, the Singapore Hospitals will continue to deliver quality operating performance, thereby underpinning the organic income growth of PLife REIT to deliver strong and stable distributions for the benefit of our Unitholders. More importantly, on an overall, the strategic arrangement marks a solid step in our growth journey and we look forward to further collaborations with IHH Healthcare.”

Dr. Kelvin Loh, Managing Director & Chief Executive Officer of IHH Healthcare, said: “Our Singapore hospitals are top performers for the Group as they provide world-class treatment and service, and generate strong, stable earnings even amid COVID-19. Partnering PLife REIT to extend the lease agreements for three of our hospitals in Singapore represents business continuity and operational stability for IHH Healthcare. They are key to IHH continuing to earn the trust of our patients, employees and shareholders. The S\$150 million in upgrades to our facilities will further enhance the top-notch service offerings we are known for and we look forward to collaborating closely with PLife REIT to ensure our Singapore operations remain positioned for future growth.”

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About Parkway Life REIT

Parkway Life Real Estate Investment Trust (“PLife REIT”) is one of Asia’s largest listed healthcare REITs by asset size. It invests in income-producing real estate and real estate related assets that are used primarily for healthcare and healthcare-related purposes (including but are 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).

PLife REIT owns a well-diversified portfolio of 55 properties located in the Asia Pacific region, with a total portfolio size of approximately S\$2.0 billion⁵. It owns the largest portfolio of strategically located private hospitals in Singapore comprising Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital. In addition, it has 51 assets of high-quality nursing home and care facility properties in various prefectures of Japan. It also owns strata-titled units/lots in MOB Specialist Clinics Kuala Lumpur in Malaysia.

About IHH Healthcare

IHH Healthcare is a leading international healthcare services provider with a vision to become the world’s most trusted healthcare services network. We manage a portfolio of trusted healthcare brands – Acibadem, Fortis, Gleneagles, Mount Elizabeth, Parkway, Pantai and Prince Court – in our key markets of Malaysia, Singapore, Turkey, India and Greater China (including Hong Kong). Employing over 65,000 dedicated people across 80 hospitals in 10 countries, we offer a full spectrum of integrated healthcare services, from primary care to highly specialised acute medical treatment, through a diverse range of medical, diagnostic and ancillary assets from clinics and hospitals to laboratories and radiology centres. Together, we commit to touch lives and transform care. More information can be found at www.ihhhealthcare.com.

⁵ Based on latest appraised values for the existing portfolio (excludes right-of-use assets) and appraised values of the two nursing homes acquired on 9 July 2021, translated at the exchange rates of S\$1.00 to JPY82.37 and S\$1.00 to RM3.09.

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Important Notice

This press release 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 (“PLife REIT” and the units in PLife REIT, the “Units”).

The value of the Units and the income derived 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 PLife REIT, or any of its affiliates. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of PLife 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 PLife REIT or the Manager is not necessarily indicative of the future performance of PLife REIT or the Manager. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.