ParkwayLife REIT

HOMING IN EXPANDING OUT

ANNUAL REPORT
2015

ParkwayLife 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 47 properties with a total portfolio size of approximately S$1.6 billion as at 31 December 2015. 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 43 assets located in Japan, including one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture as well as 42 high quality nursing home and care facility properties in various prefectures of Japan. It also owns strata-titled units/lots at Gleneagles Intan Medical Centre Kuala Lumpur in Malaysia.

OUR MISSION

To deliver regular and stable distributions and achieve long-term growth for our Unitholders

OUR VISION

To become the leading healthcare REIT and the Partner of Choice for healthcare expansion

CONTENTS

TRUST STRUCTURE

1 Refers to the properties acquired by the Trust, whether directly or indirectly held through the ownership of special purpose vehicles. In Singapore, the ownership of the properties is held directly by the Trustee. In Malaysia, the ownership of the properties is held indirectly by the wholly-owned subsidiaries of the Trustee. In Japan, the ownership of the properties is held through the Tokumei Kumiai ("TK") structure. Under the TK structure, the Trustee will, through its wholly-owned subsidiary incorporated under Singapore laws, enter into TK agreement (or silent partnership agreement) as TK investor ("TK investor") with a company incorporated under Japanese laws known as TK operator ("TK operator"). The TK operator is a company similar to a limited liability company in Singapore whereby the TK investor is only liable to the extent of its contribution to the TK operator. Under the TK agreement, the TK investor shall inject funds to the TK operator and the TK operator will acquire and own the property. Further details of the TK structure are set out in the relevant past announcements.

GROWING GREATER VALUE

Creating value lies at the heart of our business strategy. We have made exceptional progress since our IPO and boast a proven and successful track record of delivering results to our Unitholders.

STRONG DPU GROWTH OF

86.6%

SINCE IPO

MESSAGE TO UNITHOLDERS

> Over the years, PLife REIT's robust portfolio fundamentals and sound financial metrics underpinned its ability to deliver consistent attractive results and rewards to its Unitholders.

DEAR UNITHOLDERS,

Building on 2014's "Grounded Defence, Focused Growth" strategy, Parkway Life Real Estate Investment Trust ("PLife REIT") continues to deliver value for its Unitholders in 2015, achieving a Distribution Per Unit ("DPU") growth of 15.3% from the previous year. This marks the ninth consecutive year of growth since IPO in 2007, demonstrating the success of PLife REIT's resilient management model, which continued to perform amidst the challenging market environments.

Centered on "**Homing In**" PLife REIT's unique defensive qualities, its portfolio quality and financial position was further strengthened during the year. The year also sees PLife REIT "**Expanding Out**" as it continues to seize opportunities in a disciplined manner to enhance the portfolio diversification.

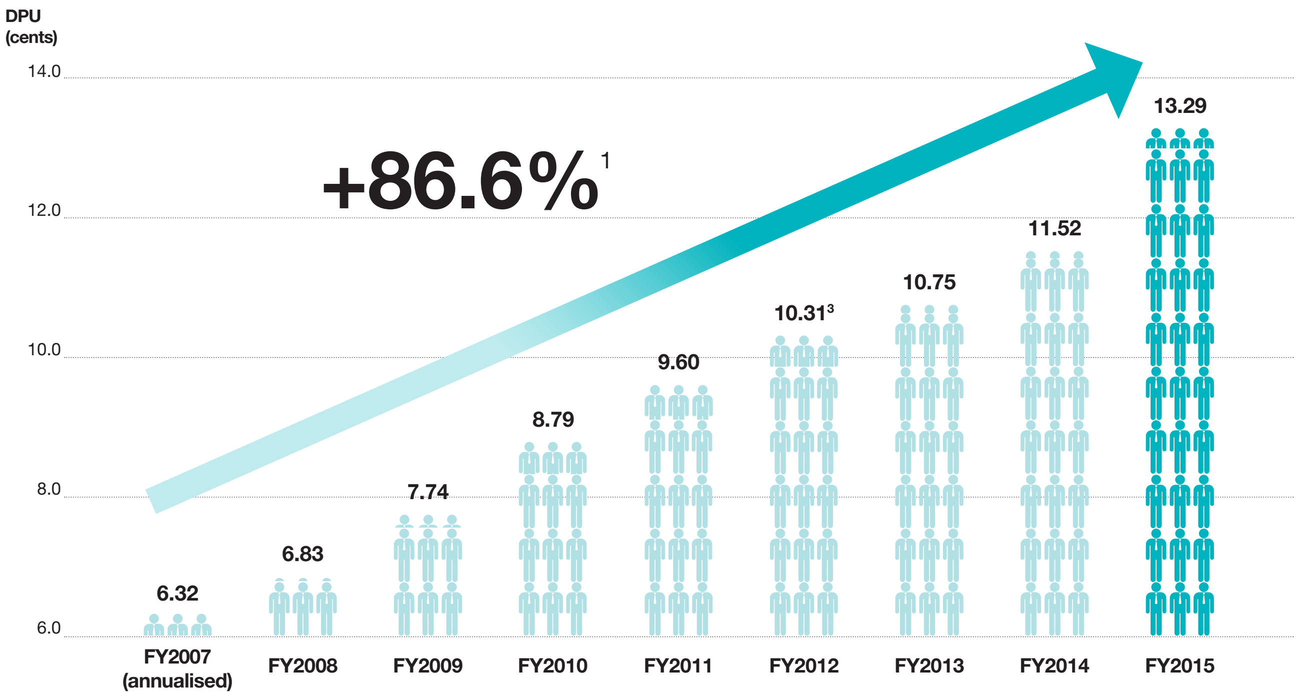
HOMING IN

Over the years, PLife REIT's robust portfolio fundamentals and sound financial metrics have underpinned its ability to deliver consistent attractive results and rewards to its Unitholders. For 2015, we continued to build on our unique core values to enhance the resiliency of the REIT.

The year kicked off on track with the REIT's asset recycling plans to rejuvenate and enhance the quality of its Japan portfolio. Leveraging on its strong position as a first mover in the growing Japan elderly healthcare market, PLife REIT capitalised on the opportunity to monetise from its less strategic assets. The maiden divestment of seven Japan nursing homes in December 2014 registered a healthy

STRONG DPU (CENTS) GROWTH SINCE IPO

DPU has grown steadily at a rate of 86.6%[1] since IPO[2].



1 Calculation excludes one-off divestment gain distributed in FY2015
2 Accumulated DPU payout since IPO, including 4Q 2015 is 81.1 cents (inclusive of 3Q 2007 pro-rated payout)
3 Since FY2012, S$3 million per annum of amount available for distribution has been retained for capital expenditure

divestment gain (after tax) of S$9,110,000 which was equally distributed to its Unitholders throughout the four quarters in FY2015.

The freed up capital from the divestment was progressively redeployed to acquire seven higher yielding Japan nursing homes as PLife REIT fortifies its growth in Japan. Following its acquisition of Habitation Jyosui and Ocean View Shonan Arasaki in December 2014 and January 2015 respectively, PLife REIT further acquired another five quality Japan nursing homes in March 2015. Despite the increasingly competitive landscape in the Japan healthcare market, PLife REIT was able to secure beachheads and continued on its dominant market position.

The additional contributions from the new Japan properties coupled with the stable income stream from our existing portfolio continue to offer steady growth for our Unitholders. Excluding the one-time divestment gain, PLife REIT's FY2015 DPU from recurring operations grew by 2.2%.

Palmary Inn Suma

Dynamic financial and prudent risk management continued to be a key thrust in 2015 to ensure that PLife REIT remains well cushioned against the financial market

MESSAGE TO UNITHOLDERS

volatility and rising interest rate trend. The year sees PLife REIT reinforcing its capital structure by terming out all its maturing long-term debt facilities thereby achieving a well spread out debt maturity profile stretching up to 2021 with no immediate long-term refinancing needs till 2017. Cognisant of our Japan exposure, we have put in place Japan net income hedge till 1Q 2020 to guard against the volatility in Japanese Yen and also increased the interest rate hedge ratio from 78% to approximately 95%.

EXPANDING OUT

The acquisitions of the seven new Japan nursing homes saw PLife REIT marking its first foray into a new geographical area, the Aichi Prefecture. In addition it strategically deepened its footprint in Hokkaido, Fukuoka and Kanagawa Prefectures. Apart from "expanding" out its geographical spread within Japan, the acquisitions afforded the opportunity for us to further diversify our tenant risk exposure with the addition of three new well established nursing home operators. Cementing our position as a credible partner with quality offerings in this sector, these new grounds also reflect an exciting growth platform for PLife REIT, even as we maintain our strong fundamentals and defensive position.

Meanwhile, we continue to exercise discipline as we seek out new opportunities in the region to drive value and growth for PLife REIT in a sustainable manner.

LOOKING AHEAD

With overhanging concerns of an uncertain global economy, the road ahead will continue to be challenging. Backed by our unique core values, PLife REIT remains well-positioned to weather the market volatility.

Notwithstanding near-term uncertainties, we remain cautiously optimistic about our long-term prospects. On the back of increasing ageing population, rising affluence and rising demand for better quality private healthcare services, PLife REIT is set to be a potential beneficiary of the growing healthcare industry as we stay vigilant for compelling opportunities.

Moving ahead, we seek to be nimble to market changes as we build on our successful strategies that have enhanced the REIT's overall value and growth potential thus far.

APPRECIATION

We wish to extend our sincere appreciation to our Board members for their invaluable advice and contributions. We would also like to record our appreciation for our non-executive director, Mr. Ahmad Shahizam Bin Mohd Shariff, who retired from the Board with effect from 16 November 2015. We are also pleased to welcome Ms. Rossana Annizah Binti Ahmad Rashid with effect from 16 November 2015. We are confident that her expertise and experience will contribute positively to the growth of PLife REIT.

We would also like to take this opportunity to thank our dedicated staff for their commitment and efforts in delivering the sustained success of PLife REIT.

Lastly, our sincere gratitude to our Unitholders, business partners and lessees for their confidence and support.

LIM KOK HOONG
Chairman

YONG YEAN CHAU
Chief Executive Officer and
Executive Director

CORPORATE DEVELOPMENT

Governed by its unique core values, PLife REIT continues to exercise prudent risk management while adding value to the portfolio through its recycling strategy, reinforce collaboration with new and existing partners and maintain a strong balance sheet to sustain excellence amidst market volatility in 2015.

"**Homing In, Expanding Out**" truly validates the REIT's successes and emphasises the strength of its proven business strategy and superior execution as it rebalanced and enhanced the quality of its Japan portfolio.

BOOSTING PORTFOLIO RESILIENCY

Since its inception in 2007, PLife REIT continues to adopt a defensive growth play, exercise prudent financial and risk management and seize growth opportunities. To date, the REIT boasts a total of 47 properties across Singapore, Japan and Malaysia, valued at approximately S$1.6 billion as at 31 December 2015, making it one of the largest healthcare REIT in the region.

Palmary Inn Shin-Kobe

Ocean View Shonan Arasaki

PLife REIT's first venture into the Japanese market was during the financial crisis in 2008, and it proved to be an opportune time as the REIT was able to acquire assets at attractive prices as the crisis progressed. Since then, PLife REIT has been progressively investing into Japan and has accumulated a portfolio of 43 high quality healthcare properties worth S$590 million.

The investment climate has shifted as Japan gradually recovers from the financial crisis. The favourable ageing demographics and increased demand for specific and upmarket healthcare services, coupled with strong government support, have encouraged the private sector to invest in the healthcare industry.

Competition has heightened over the years with more investors adding healthcare assets into their investment portfolio. Given the investment exuberance, PLife REIT was able to capitalise on its first mover advantage to divest its seven less strategic nursing homes in December

CORPORATE DEVELOPMENT

2014 at a good price. Its maiden divestment registered a healthy divestment gain (after tax) of S$9.11 million which was distributed equally over the four quarters of FY2015.

This divestment also resonated well with the REIT's asset recycling strategy to rebalance and strengthen the overall quality and growth potential of its portfolio.

Capitalising on its strong market presence in Japan and strategic partnerships, PLife REIT was able to timely re-deploy the freed up capital from the divestment to seize incremental new acquisitions despite the growing competition. Following its acquisition of Habitation Jyosui and Ocean View Shonan Arasaki in December 2014 and January 2015 respectively, PLife REIT further acquired five assets in March 2015 including its first group home as it continues to fortify its portfolio:

- Habitation Hakata I, II, III
- Excellent Tenpaku Garden Hills
- Liverari Shiroshi Hana Ichigo-kan
- Liverari Shiroshi Hana Nigo-kan
- Liverari Misono

Palmary Inn Akashi

Bon Sejour Shin Yamashita

Bon Sejour Ibaraki

The acquisition of the seven new properties enhances the REIT's geographical and tenant base diversification within Japan as it makes its foray in Aichi Prefecture and deepens its presence in the Hokkaido, Fukuoka and Kanagawa Prefecture. In addition, PLife REIT established partnerships with three new operators; Kabushiki Kaisha Kokanomori, Kabushiki Kaisha Living Platform and Kabushiki Kaisha Care Products.

Capitalising on its first mover advantage and robust partnerships with leading operators, PLife REIT is able to seize incremental new acquisitions despite growing competition.

Its approach of acting decisively and taking advantage of opportunities, building strong relationships with leading nursing home operators and enhancing value through asset enhancement initiatives, signifies the REIT's commitment to create greater synergies and value in the market as it strengthens its foothold in Japan.

EFFECTIVE AND PRUDENT FINANCIAL AND RISK MANAGEMENT

PLife REIT's proven capital and financial management strategy has allowed the REIT to generate sustainable returns for Unitholders over the years. As well as having the flexibility to be opportunistic in the event of a compelling acquisition, its risk management strategy provides a cushion for capital preservation and minimises exposure to interest rate and foreign exchange risks.

As part of the continuous effort to enhance PLife REIT's balance sheet, we have pre-emptively termed out existing maturing loans, ensuring no immediate long-term loan refinancing needs until 2017. In addition, the expiring loans have been refinanced via a mix of four to six years loan tenor, so as to achieve an optimal pricing and a more spread out debt maturity profile. As at 31 December 2015, PLife REIT's weighted average debt term to maturity stands at 3.5 years, with no significant amount of loan due in a single year.

PLife REIT has been conservative and proactive in managing its interest rate and foreign exchange risks. In view of an expected interest rate hike by the US Federal Reserve and changes in monetary policy across markets, the REIT had put in place interest rate hedges for its SGD long-term borrowings. With that, we have increased interest rate hedge ratio from 78% to approximately 95%. Cognisant of its expanded Japan exposure, the REIT has been conscientiously monitoring and extending the net income hedges for its Japan portfolio which well-served as an effective shield against the JPY currency fluctuations. As at 31 December 2015, PLife REIT has in place Japan net income hedge till 1Q 2020.

These proactive initiatives allow the REIT to lengthen its weighted average debt maturity, stagger its debt repayment schedule and mitigate exposure to market fluctuations and risks. As evidence of its robust balance sheet and flexibility, the REIT has been rated with a Baa2 issuer rating by Moody's.

Being in an enviable financial position, with a healthy gearing of 35.3% as at 31 December 2015, PLife REIT is poised to capture near-term opportunities as it continues to grow its portfolio.

MARKET REVIEW AND OUTLOOK

SUSTAINED RETURNS AMIDST GLOBAL UNCERTAINTY

2015 saw greater volatility in the global financial market, largely attributed to slowing performance in major emerging economies, falling commodity prices and unstable liquidity conditions[1]. In the early part of 2015, the potential default situation in Greece led the global financial market into a frenzy but the crisis was temporarily averted after Greece accepted a bailout deal amounting up to €86 billion[2]. From the US, uncertainty and speculation over Fed rate hikes bred a mounting sense of apprehension over the health of the global economy before the rate was eventually increased towards the end of 2015. With its prudent capital and financial strategies put in place during 2015, PLife REIT remained well cushioned against the volatile financial market.

Asia markets which are led by China and India had a strong first quarter in 2015 but the region suffered when Greece shut its banks early half of the year. Growth in India remained robust, supported by strong investor sentiments and positive impacts on real incomes brought about by falling oil prices. Subsequent shocks from the dysfunctional market in China, devaluation of the Renminbi and loosening of monetary policy across major markets resulted in weak market sentiment across the globe towards the end of 2015. Asian stock markets fell around 3%[3] with Tokyo's Nikkei 225 Index falling 2% to 20,283.98 points[4]. S-REITs was not spared as the FTSE Straits Times Reit Index slumped 8.3% within 30 days in August 2015 and tumbled 8.8% for the whole of 2015.

Against a choppy backdrop, PLife REIT's performance remained largely stable throughout 2015, cushioned by its strong balance sheet, unique proposition and prudent risk management.

On the geopolitical front, the rise of ISIS, Russia's role in Syria, exodus of refugees to Europe, China's muscle-flexing in the South China Sea and upcoming elections in major nations continued to rattle financial markets. Rising tension between North Korea and South Korea, coordinated attacks that occured in Paris, are examples of external risks that have to be considered as they elicit shock and uncertainty through the global economy.

For 2015, economic divergence and geopolitical threats had been the underlying themes which led to significant

impact on global financial markets. Looking ahead, downside risks are expected to continue.

In the midst of uncertainty, PLife REIT continues to offer a stable and attractive investment proposition to investors looking for defensive plays.

STRENGTHENING OF REIT MARKETS IN ASIA

With two of the largest economies in the world developing frameworks for REITs, Singapore will not only face fierce competition from Japan, but also from China and India.

While China and India seeks to overcome the various teething problems as they shape the regulatory and tax frameworks in their respective markets, Indonesia is likely to rival Singapore with the revision in taxation and new listing guidelines. For instance, in a bid to develop its REIT regime Indonesia ended the double taxation which was previously applicable to REITs[5].

Meanwhile the REIT sector in Japan is gaining ground with a market capitalisation of USD 84.5 billion, ahead of Australia (USD 80.5 billion) and just behind U.S (USD 0.76 trillion)[6]. Monetary easing by the Bank of Japan, decline in interest rates and robust healthcare facilities and assets will continue to fuel more listings, especially in the healthcare space in Japan. Currently there are already three healthcare REITs in Japan with Nippon Life Insurance Co. planning the listing of Japan's largest private REIT[7]. Although this may present more competition for PLife REIT, it also provides a robust operating environment that fuels investor interests. Leveraging on its experience and knowledge of the healthcare sector, PLife REIT remains well positioned amidst the growing challenges from the local competition.

In Singapore, the Monetary Authority of Singapore (MAS) has recently introduced tighter regulations to further enhance the transparency and corporate governance of the S-REIT market and also to improve its attractiveness to global investors. Across the REIT sector, Fitch Ratings has highlighted that the strong performance of healthcare

1 World Bank Group. (2016, January). Global Economic Prospects: Spillovers and Weak Growth
2 Europe Summit Statement. (2015, August 15). Greece crisis: Eurogroup agrees to third bailout. Retrieved from BBC News: http://www.bbc.com/news/world-europe-33934238
3 Mui, Y. Q. (2015, June 29). What the crisis in Greece means for the U.S. and global economies . Retrieved December 16, 2015, from The Washington Post: https://www.washingtonpost.com/news/wonk/wp/2015/06/29/greece/
4 McCurry, J. (2015, June 25). Greece Crisis: markets begin to tumble as investors flee. Retrieved December 16, 2015, from The Guardian: http://www.theguardian.com/world/2015/jun/29/greece-crisis-markets-begin-to-tumble-as-investors-flee
5 Suroyo, G. (2015, October 22). Indonesia offers incentives to spur asset revaluations, REITs. Retrieved January 18, 2016 , from Reuters: http://www.reuters.com/article/us-indonesia-taxation-idUSKCN0SG2Y020151022
6 Bloomberg data as at 18 December 2015
7 Flynn, F. (2015, November 30). Nippon Life Plans Japan's Largest REIT as Investors Crave Yield. Retrieved December 17, 2015, from Bloomberg: http://www.bloomberg.com/news/articles/2015-11-29/nippon-life-plans-japan-s-largest-reit-as-investors-crave-yield

MARKET REVIEW AND OUTLOOK

S-REITs, supported by an inelastic demand for healthcare services and an ageing population in Asia, is likely to continue in 2016. In addition, Moody's also mentioned that PLife REIT will remain stable and continue to generate stable cash flow from its portfolio, supported by its strong balance sheet, favourable lease structures and excellent financial flexibility.

As seen, the growing importance of healthcare and prospects of the REIT market in Asia have certainly presented new opportunities for both the investors and REIT sponsors. With an established and efficient REIT framework, Singapore continues to draw its appeal as compared to its peers. As one of the largest listed healthcare REITs in Asia with robust fundamentals, PLife REIT remains strategically positioned to ride on the growing healthcare industry.

DEEPENING CONNECTIONS, CREATING VALUE IN HEALTHCARE SECTOR

The ever-increasing demands of an ageing population and rising level of affluence will result in a paradigm shift in the healthcare sector to facilitate a higher quality of life for elderly in their golden years.

The 12.3% of the global population aged 60 and above will rise to almost 22% by 2050[8]. Statistics from the World Bank highlighted that East Asia is ageing more rapidly

8 United Nations Population Fund . (n.d.). Retrieved December 21, 2015 , from Ageing: http://www.unfpa.org/ageing

than any other region throughout history[9]. In Singapore the number of citizens aged 65 and above has doubled from 220,000 in 2000 to 440,000 in 2015, and is expected to eventually reach 900,000 by 2030[10]. In light of this and the push for better and more comprehensive healthcare, the healthcare spending in Singapore is expected to rise by S$4 billion, reaching over S$13 billion in 2020[11].

As a result of the accelerated rate of ageing population and demand for better healthcare, the evolving relationship between the state and citizens has influenced policy-making and changed the role of private institutions. For instance, the government has implemented the Silver Support Scheme in Singapore to supplement the retirement savings of senior citizens in light of spiralling healthcare costs. In Japan, the government has been examining alternative strategies to enhance cost effectiveness of the healthcare system by encouraging the private sector to play a more active role in the industry.

The rise of ageing population has spurred the healthcare sector with improved healthcare infrastructure, greater advancement in medical technology and growth in medical tourism. While Singapore remains popular for high-end treatment, Malaysia's market for medical tourism has nearly doubled since 2010[12] and revenue growth from hospitals in Thailand have increased up to 15% year-on-year[13]. PLife REIT's presence in Singapore, Japan and Malaysia will thus be useful to help establish connections and foster collaboration among healthcare players in the region.

Additionally, with PLife REIT's first mover advantage in the Japan's aged care sector, it has constantly grown its portfolio with high quality nursing homes in the nation. Through asset enhancement initiatives, it ensures value maximisation and enhanced competitiveness of PLife REIT's assets. Since listing, PLife REIT has always placed strong emphasis on forging strong partnerships with reputable healthcare operators to set pace for future collaboration and drive sustained growth for the Unitholders.

9 Aging East Asians Worried About Future Security. (2015, December 3). Retrieved January 18, 2016, from The World Bank: http://www.worldbank.org/en/news/feature/2015/12/03/aging-east-asians-worried-about-future-security
10 Ng, K. (2015, July 1). Singapore feeling impact of rapidly ageing population. Retrieved December 21, 2015, from TODAY Online: http://www.todayonline.com/singapore/singapore-feeling-impact-rapidly-ageing-population
11 Estopace, E. (2015, February 25). Singapore healthcare spending to reach $13B in 2020. Retrieved January 18, 2016, from Enterprise Innovation: http://www.enterpriseinnovation.net/article/singapore-healthcare-spending-reach-13-b-2020-1454783661
12 Medical tourism market booming in S-E Asia. (2014, December 23). Retrieved from The Straits Times.
13 Group, O. B. (2015 , March 2). Thailand has healthy prospects for medical tourism. Retrieved December 18, 2015, from Thailand Business News: http://www.thailand-business-news.com/featured/50370-thailand-has-healthy-prospects-for-medical-tourism.html

HOMING IN

Our robust portfolio fundamentals and sound financial metrics have allowed us to weather market volatility and deliver sustainable returns to our Unitholders. Moving forward, we will continue to "***home in***" on our unique core values to enhance the growth and resiliency of PLife REIT.

DEFENSIVE LEASE STRUCTURE WITH WALE (BY GROSS REVENUE) OF

9.12

YEARS

BOARD OF DIRECTORS

MR. LIM KOK HOONG
Independent Director and Chairman

Mr. Lim is an Independent Director on the Board of several public listed companies in Singapore.

Mr. Lim has over 32 years experience in public accountancy. He was a Senior Partner with Ernst & Young Singapore from 2002 to 2003, and prior to that, was the Managing Partner of Arthur Andersen Singapore from 1990 to 2002. He also previously held the position of Regional Managing Partner, Asean, for Arthur Andersen during the period 2000 to 2002.

Mr. Lim graduated from the University of Western Australia in 1971 with a Bachelor of Commerce. He is a member of the Institute of Chartered Accountants in Australia and the Institute of Singapore Chartered Accountants (ISCA).

MR. PUAH TUAN SOON BENSON
Independent Director and Chairman of the Nominating and Remuneration Committee

Mr. Puah has been the Chief Executive Officer (CEO) of The Esplanade Co Ltd since 1998. He held a concurrent appointment as CEO of the National Arts Council from 1 August 2009 to 31 July 2013. Prior to these appointments, he was the CEO of Temasia Health Pte Ltd, the international business and management arm of Health Corporation of Singapore, an entity linked to the Government of Singapore that invests and develops businesses in health services, from 1997 to 1998. From 1995 to 1997, Mr. Puah was the Director and Chief Executive of Sentosa Development Corporation (SDC), a government statutory board responsible for the development, management and promotion of Sentosa, Sentosa Cove and 11 off-shore islands. From 1982 to 1994, Mr. Puah worked in various senior positions in hotels managed by global hotel operators including Mandarin Oriental Hotel Group in Hong Kong and Singapore, Shangri-la's Rasa Sentosa Resort in Singapore, Shangri-la Hotel Surabaya in Indonesia and Hilton International in Singapore, amongst others.

Mr. Puah graduated from the University of Surrey, Guildford, in the United Kingdom with a Bachelor of Science in Hotel, Catering & Tourism Administration.

MR. TAN BONG LIN
Independent Director and Chairman of the Audit Committee

Mr. Tan has over 28 years experience working in financial institutions. Between 1990 and 2007, he was with Citigroup Global Markets Singapore Pte Ltd and was its Managing Director (MD) from 1991 to 2007.

His responsibility included overseeing the Smith Barney brokerage and advisory business. Prior to his appointment in Citigroup Global Markets Singapore Pte Ltd, he held various positions in Drexel Burnham Lambert (S) Pte Ltd, including as a Dealer, an Operations Manager and an

Assistant General Manager, from 1980 to 1990. Mr. Tan was a member of the Finance Committee at Singapore Broadcasting Authority from 1997 to 2002.

Mr. Tan graduated from the University of Singapore in 1980 with a Bachelor of Accountancy.

DR. TAN SEE LENG
Non-Executive Director

Dr. Tan See Leng has over 25 years of experience in the healthcare industry. As a young entrepreneur, he founded a private primary health group at 27 and subsequently developed it to the second largest primary healthcare group in Singapore before selling the stake to one of the leading global health-plan providers.

In 2004, Dr. Tan joined Parkway as Chief Operating Officer (COO) of Mount Elizabeth Hospital and rose rapidly through the ranks and became the CEO of Parkway Holdings Limited in April 2010. Following the restructuring of the Group in 2011, he assumed his current position as the Group CEO and MD of Parkway Pantai Limited, an indirect wholly owned subsidiary of IHH Healthcare Berhad (IHH). In 2012, Dr. Tan was appointed Executive Director of IHH, before becoming its MD and CEO in January 2014.

An active member of various medical committees, Dr. Tan has served on Singapore Ministry of Health's MediShield Life Review Committee. He is also a Non-Executive Director of CFPS Holdings and a Council Member of the Singapore-Guangdong Collaboration Council. He has been reappointed Adjunct Assistant Professor of Duke-NUS Graduate Medical School Singapore, Office of Education, for the period until 2017, and serves on the Advisory Board of Lee Kong Chian School of Business at Singapore Management University.

DR. LIM SUET WUN
Non-Executive Director

Dr. Lim is the Group Chief Operating Officer of Parkway Pantai Limited.

Dr. Lim has more than 28 years of experience in healthcare management. Before joining Parkway in 2011, he was the CEO of the National Healthcare Group and Tan Tock Seng Hospital (TTSH). In 2003, Dr. Lim led the TTSH team through the SARS crisis, when it was designated as the SARS hospital for the whole of Singapore. For his leadership, he was awarded the Public Service Star by the President of Singapore. Before this, Dr. Lim held the positions of CEO of the National University of Hospital and COO of KK Women's Hospital.

From 2011 to 2012, Dr. Lim was appointed as Chairman to the Board of Joint Commission International (JCI), the world's leading international healthcare accreditation organization. Dr. Lim was also previous Chairman of Johns Hopkins International Medical Center (Singapore), and served on the Boards of the Ministry of Health Holdings Pte Ltd, National University Health System Pte Ltd and Singapore's Nursing Board. He headed several Ministry of Health committees including the review of the country's Medishield Insurance scheme in 2005.

Dr. Lim is currently a Honorary Secretary in the Council of the Singapore National Employers Federation.

A doctor by training, Dr. Lim also has Masters in Business Administration and Masters in Public Health from the University of California, Los Angeles (UCLA).

BOARD OF DIRECTORS

MR. TAN SEE HAW
Non-Executive Director

Mr. Tan joined Parkway Holdings Limited (the Sponsor) as the Group Chief Financial Officer (CFO) on 5 January 2009 and was appointed the Group CFO of Parkway Pantai Limited upon its acquisition of both the Sponsor and Pantai Irama Ventures Sdn Bhd on 28 April 2011. On 10 January 2013, Mr. Tan was appointed as Group Chief Financial Officer of IHH Healthcare Berhad until his retirement on 9 January 2016.

Prior to his appointment with the Sponsor, Mr. Tan was the Vice President of IT and Supply Chain of Unisem (M) Bhd, overseeing these functions for all the Unisem's worldwide operations. Concurrently, he was also the CFO of Advanced Interconnect Technologies (AIT), a position which he held since 1999. Before joining AIT, Mr. Tan held key regional finance positions for major corporations such as Asia-Pacific Breweries Ltd (Director of Group Finance) and Pepsi-Cola International (Asia Division Financial Controller). He also held finance and audit positions at NL Petroleum (Far East) Pte Ltd and Price Waterhouse & Co.

Mr. Tan graduated with a Bachelor Degree in Accountancy from the former Singapore University in 1980. He is also a Fellow of Institute of Certified Public Accountants of Singapore.

MS. ROSSANA ANNIZAH BINTI AHMAD RASHID
Non-Executive Director

Ms. Rossana is an Independent Director of IHH Healthcare Berhad ("IHH") and Parkway Pantai Limited ("PPL"), an indirect wholly-owned subsidiary of IHH. She is also a Non-Executive Director of Parkway Trust Management Limited, the Manager of Parkway Life Real Estate Investment Trust, which is listed on the Singapore Exchange Securities Trading Limited. She serves as the Chairperson of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee for both IHH and PPL.

Ms. Rossana is a member of the Investment Panel and the Investment Panel Risk Committee of the Malaysia Employees Provident Fund. In February 2016, she was appointed Country Chairman of the Jardine Matheson Group in Malaysia.

Ms. Rossana is a career professional, started with Citibank NA, then RHB Bank; a total of 15 years in the banking sector. She then served as Maxis Berhad CFO for 8 years, followed by a 2-year stint as Deputy CEO of Time Dotcom Berhad.

The combined 28 years of experience in the banking, telecommunications and healthcare sector provides Ms. Rossana with a broad experience of the importance of business strategy, identifying sustainable monetisation models, understanding the customers and competition and the need for reviewing monetisation models focusing on both revenue management and cost management.

MR. YONG YEAN CHAU
Chief Executive Officer and Executive Director

Mr. Yong is the CEO and Executive Director of Parkway Trust Management Limited, the manager of Parkway Life REIT. He joined Parkway Trust Management Limited as CFO in February 2008 and was promoted to CEO in December 2008. Mr. Yong was previously the CFO of the Singapore Tourism Board, overseeing its finance and corporate services functions. Prior to that, he was the CFO of Ascendas Pte Ltd (Ascendas). During his tenure with Ascendas, he was seconded to China-Singapore Suzhou Development Ltd and Singapore-Suzhou Township Development Pte Ltd as the CFO in Suzhou, China. Before joining Ascendas, Mr. Yong held other finance and audit positions in Beijing ISS International School, Housing and Development Board and Arthur Andersen.

Mr. Yong graduated from the National University of Singapore with a Bachelor of Accountancy (Honours) and was conferred a Fellow Chartered Accountant of Singapore by the ISCA. He has also completed the Advanced Management Programme with Harvard Business School.

BOARD OF DIRECTORS
SUMMARY

Name of Director	Date of Appointment	Function(s)	Academic and professional qualifications	Directorship or chairmanship both present and those held over the preceding three years in other listed companies and other major appointments
Lim Kok Hoong **Age: 68**	05/07/2007	Non-executive/ Independent Director/ Chairman of Board and Member of Audit Committee	Bachelor of Commerce, Chartered Accountant, Australia, CPA Singapore	Hoe Leong Corporation Ltd, Genting Singapore PLC, Global Logistics Properties Ltd, Sabana Real Estate Investment Management Pte Ltd, Interplex Holdings Ltd, Audit Committee member of Agency for Science, Technology and Research
Puah Tuan Soon Benson **Age: 59**	05/07/2007	Non-executive/ Independent Director/ Chairman of Nominating and Remuneration Committee and Member of Audit Committee	B.Sc (Hons) – Hotel, Catering & Tourism Administration	The Esplanade Co Ltd, SISTIC.com Pte Ltd, Ascendas Hospitality Fund Management Pte Ltd, Ascendas Hospitality Trust Management Pte Ltd, National Arts Council, National Arts Gallery Company Limited, Singapore Arts School Ltd
Tan Bong Lin **Age: 59**	05/07/2007	Non-executive/ Independent Director, Chairman of Audit Committee and Member of Nominating and Remuneration Committee	Bachelor of Accountancy	–
Dr. Tan See Leng **Age: 51**	21/06/2011	Non-executive Director and Member of Nominating and Remuneration Committee	MBBS, MMed, FCFPS, MBA (ChicagoBooth), Fellow of Academy of Medicine, Singapore	Managing Director and Chief Executive Officer of IHH Healthcare Berhad, Group Chief Executive Officer and Managing Director of Parkway Pantai Limited, Executive Director of Parkway Holdings Limited, Member of the Advisory Board of Lee Kong Chian School of Business (Singapore Management University), Council Member of NUS President's Advancement Advisory Council
Dr. Lim Suet Wun **Age: 56**	26/02/2014	Non-executive Director	MBBS, National University of Singapore MPH, UCLA MBA, UCLA	Group Chief Operating Officer of Parkway Pantai Ltd, Director of Parkway Holdings Limited, Director of Parkway Pantai Ltd, Director of Positron Tracers Pte Ltd, Director of Shenton Insurance Pte Ltd, Director of Parkway Group Healthcare Pte Ltd, Director of GHK Hospital Limited
Tan See Haw **Age: 59**	09/01/2009	Non-executive Director	B.ACC, Fellow Chartered Accountant of Singapore	Chief Financial Officer of IHH Healthcare Berhad, Director of Parkway Hospitals Singapore Pte Ltd
Rossana Annizah Binti Ahmad Rashid **Age: 51**	16/11/2015	Non-executive Director	Bachelor of Arts in Banking and Finance, University of Canberra Australia	Non-executive Director of IHH Healthcare Berhad, Non-executive Director of Parkway Pantai Limited, Member of Investment Panel of the Malaysia Employees Provident Fund (EPF), Member of Investment Panel Risk Committee of EPF, Country Chairman of the Jardine Matheson Group in Malaysia
Yong Yean Chau **Age: 50**	29/01/2009	Executive Director/ Chief Executive Officer	B.ACC (Hons), Fellow Chartered Accountant of Singapore	Hiap Tong Corporation Ltd

MANAGEMENT TEAM

MR. YONG YEAN CHAU
Chief Executive Officer and Executive Director

(Please see biography under Board of Directors)

MR. LOO HOCK LEONG
Chief Financial Officer

Mr. Loo brings with him 20 years of extensive banking and corporate experience. He was previously the Senior Vice President, Corporate Advisory of Global Financial Markets with DBS Bank Ltd. He has provided advisory services on corporate treasury management to large corporations in area of corporate finance and merger & acquisition. He has extensive experience in financial structuring of interest rate and foreign exchange risk management solutions for these clients.

Mr. Loo graduated from the National University of Singapore with a Bachelor of Electrical Engineering (Honours) degree in 1995. In 2000, he obtained a Masters of Applied Finance from the Macquarie University with three distinguished awards: Best Overall Performance, Best in Derivatives Valuation and Best in Legal & Tax Risk in Finance. He also possessed a professional qualification in accounting from ISCA and is a Chartered Accountant with ISCA.

MR. TAN SEAK SZE
Senior Vice President, Investment, Asset Allocation and Strategic Research

Mr. Tan was the Vice President, Investment of CapitaLand Group before joining Parkway Life REIT. He was responsible for the investment activities of CapitaLand's retail business unit in India. Prior to this, he worked for two years in the Philippines as the Chief Operating Officer of a business process outsourcing firm. In 2004, he was seconded by Ascendas Pte Ltd (Ascendas) to the position of Chief Executive Officer of L&T Infocity-Ascendas Ltd, a developer company of IT complexes in Hyderabad, India. In 2003, he was the Finance Manager of Ascendas-MGM Funds Management Limited. Prior to this, he was Assistant Vice President, Corporate Finance of Ascendas and was responsible for the Ascendas Group's domestic and international financing programmes including cross border financing and strategically managed the group's capital structure.

From 1994 to 2000, Mr. Tan was with JTC International Pte Ltd where he joined as a Business Development Officer and eventually assumed the post of Senior Manager, Investment and Planning. During this period, Mr. Tan accumulated regional work experience in areas ranging from project evaluation, financial modelling,

MANAGEMENT TEAM

financial structuring, marketing with extensive exposure to strategic planning. After graduation, Mr. Tan was with the Corporate Banking Department (Real Estate Division) of DBS Bank Ltd from 1991 to 1994. He was responsible for the marketing and credit assessment of the portfolios of the bank's real estate corporate clients.

Mr. Tan holds a Master of Business Administration with High Honours from the University of Chicago, Graduate School of Business and a Bachelor of Arts with Honours in Accounting and Law from the University of Kent at Canterbury, United Kingdom.

MS. LIU CHEN YIN
Vice President, Asset Management, Strategic and Corporate Planning

Ms. Liu brings with her 16 years of experience in the areas of valuation, marketing and leasing, investment and asset management.

Prior to her appointment with the Manager, she was with CapitaCommercial Trust Management Limited, the manager of CapitaCommercial Trust (CCT). She was involved in the sourcing and evaluating of potential investment opportunities as well as the development and implementation of asset management strategies and plans for CCT's asset portfolio.

From 2002 to 2006, she was with City Developments Limited where she was responsible for the marketing and leasing of its office portfolio. From 1999 to 2002, she was a Senior Valuer with CKS Property Consultants Pte Ltd.

Ms. Liu graduated from National University of Singapore in 1999 with a Bachelor of Science (Honours) degree in Real Estate. She is also a registered licensed appraiser.

MS. TEO CHIN PING
Assistant Vice President, Asset Management

Ms. Teo brings with her 20 years experience in the field of architecture design, master planning, management and administration of projects in Singapore and overseas.

Prior to her current appointment, Ms. Teo was a project manager with Thomson International Health Services Pte Ltd (TIHS). While at TIHS, Ms. Teo worked on the International Women and Children Hospital and a Fertility Centre proposal in Vietnam. She also worked with Singapore General Hospital on an addition and alteration project for the Department of Emergency Medicine, as well as design and renovation for various departments within the hospital.

Ms. Teo was stationed in Kunming, China, briefly while working on a hospital project there. She also has experience with some school and residential projects in Singapore for PMLink Pte Ltd. She was with ACP Construction Pte Ltd prior to her role with PMLink Pte Ltd, where she worked on Biopolis II. Ms. Teo joined ST Architects & Engineers Pte Ltd after graduation, where she worked on master planning in Jordan, an international airport proposal in Myanmar, factories in China, office towers, conventional and automated warehouses as well as the Changi Naval Base in Singapore.

Ms. Teo graduated from University of Tasmania, Australia in 1995 with a Bachelor of Architecture. She is also a Qualified Architect with the Board of Architects, Singapore.

MS. PATRICIA NG
Assistant Vice President, Head of Finance

Ms. Ng brings with her more than 15 years of accounting and finance practice in several public listed companies.

Prior to her appointment with the Manager, Ms. Ng has worked in Serial Microelectronics Pte Ltd (a wholly-owned subsidiary of Serial System Limited), Raffles Medical Group, Stratech Systems Limited and Watsons Personal Care Stores Pte Ltd. Her experience encompasses financial and management reporting, consolidation, taxation, cash management, budgeting, compliance and risk management functions.

Ms. Ng graduated with the professional qualification from the Association of Chartered Certified Accountants and is a Chartered Accountant with the ISCA. She also holds an Executive Master of Business Administration from The University of Hull Business School, United Kingdom.

MR. SHAWN YAP
Assistant Vice President, Asset Management

Mr. Yap brings with him 13 years of experience in the real estate sector, mainly in the areas of real estate asset management, marketing and leasing.

Prior to his appointment at Parkway Trust Management Limited, he was the manager of CapitaLand Commercial Limited. His responsibilities included managing commercial and industrial assets, monitoring and evaluating financial performance of assets, developing and implementing of asset management strategies as well as conducting studies to maximise asset yields. He was also involved in the divestment of CapitaLand's commercial assets, mainly Temasek Tower, Hitachi Tower and Chevron House.

From 2002 to 2004, he was with Singapore Land Authority where he gained considerable experience in marketing, managing and leasing of State properties. He was also involved in the formulation of policy papers.

Mr. Yap graduated from National University of Singapore in 2001 with a Bachelor of Business Administration (Honours) degree, majoring in Finance.

EXPANDING OUT

Leveraging on our strategic clustering and partnership approach, we successfully expanded our presence and established robust relationships with key stakeholders in our core markets. With increasing affluence and global ageing population continuing to drive demand for high quality healthcare in the long-term, we remain committed in "***expanding out***" as we seek out and seize opportunities in a disciplined manner.

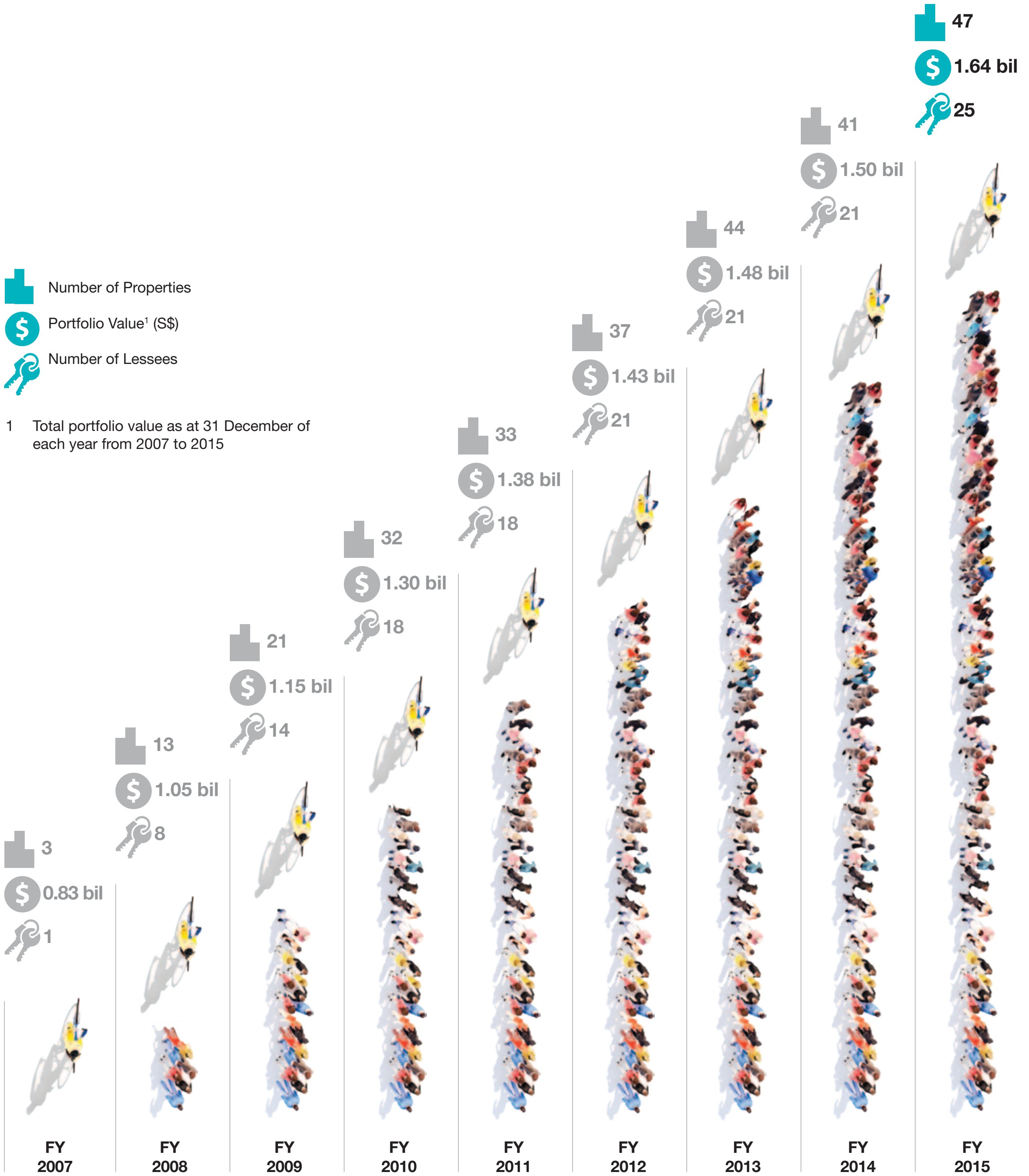
WELL-DIVERSIFIED PORTFOLIO OF 47 PROPERTIES VALUED AT

S$1.64 BILLION

FINANCIAL HIGHLIGHTS

BUILDING STRENGTH

PLife REIT has successfully delivered yet another year of steady growth. PLife REIT's robust fundamentals, favourable rental lease structures and deep market expertise will ensure sustainable returns and steady growth as it builds on its strengths. PLife REIT owns a well-diversified portfolio of 47 properties valued at approximately S$1.64 billion as at 31 December 2015.

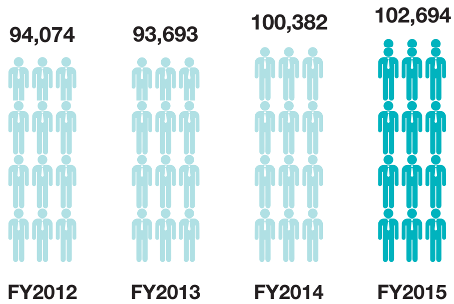


1 Total portfolio value as at 31 December of each year from 2007 to 2015

STEADY FINANCIAL PERFORMANCE AT A GLANCE

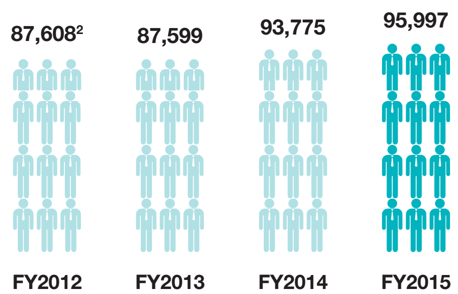
GROSS REVENUE GROWTH

(S$'000)



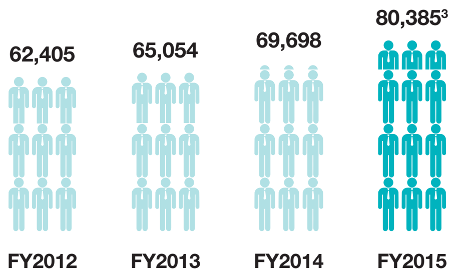
NET PROPERTY INCOME

(S$'000)



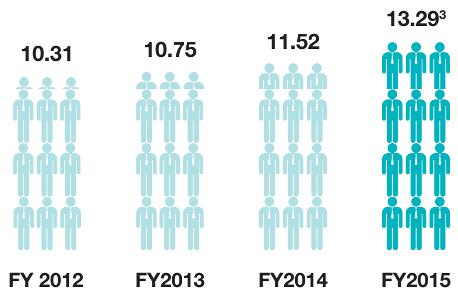
DISTRIBUTABLE INCOME

(S$'000)

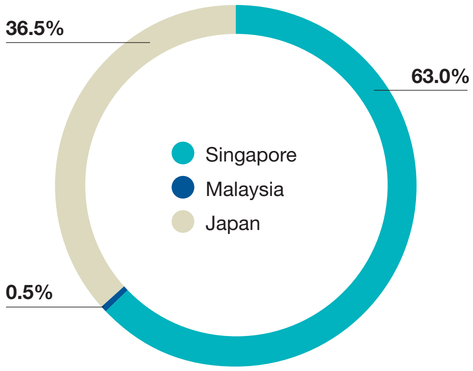


DISTRIBUTION PER UNIT

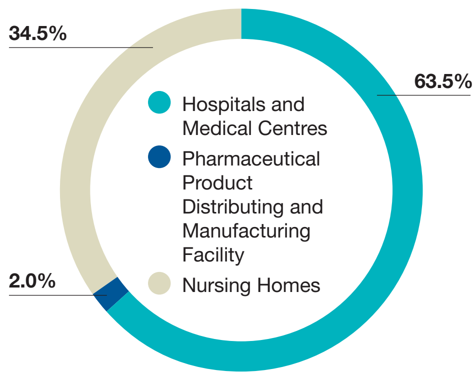
(Singapore cents)[4]



FY2015 GROSS REVENUE BREAKDOWN BY GEOGRAPHY (%)



FY2015 GROSS REVENUE BREAKDOWN BY ASSET CLASS (%)

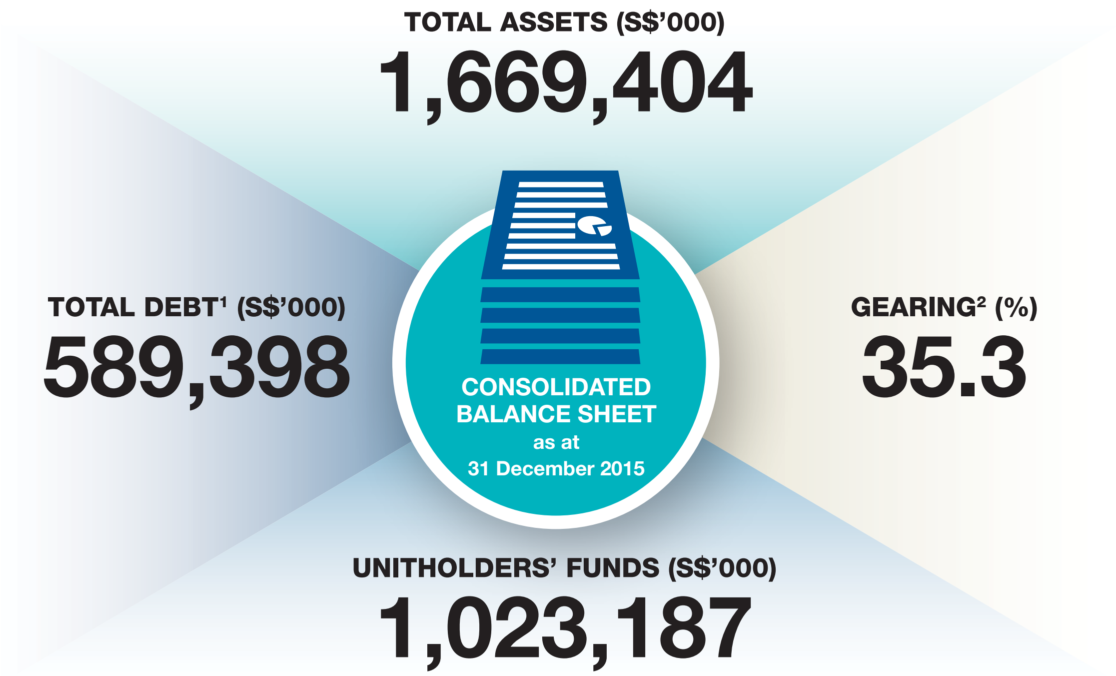


2 Reclassification of certain property expenses to management fees
3 Includes distribution of divestment gains (after tax) of S$9,110,000 in relation to the divestment of seven Japan properties in December 2014
4 The number of units used to calculate the DPU comprise of units in issue and issuable as at 31 December of each year from 2012 to 2015

FINANCIAL HIGHLIGHTS

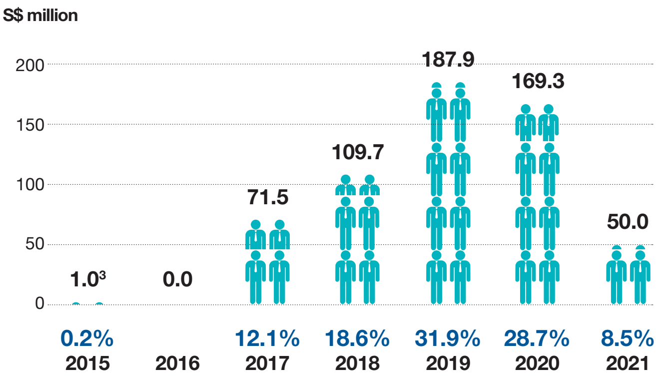
SOUND FINANCIAL METRICS

PLife REIT's strong balance sheet will provide the REIT financial flexibility to seize attractive opportunities offering better value amidst uncertain market conditions and competitive landscape.

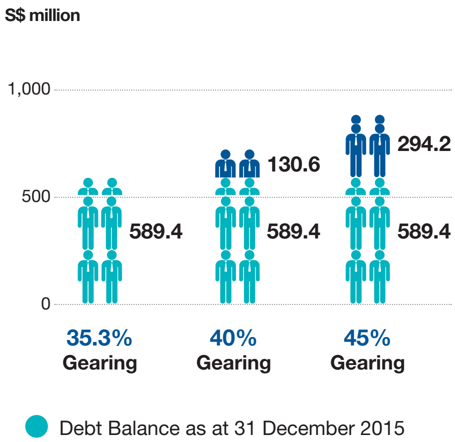


HEALTHY WEIGHTED AVERAGE TERM TO LOAN MATURITY OF 3.5 YEARS WITH LOW EFFECTIVE ALL-IN DEBT COST OF 1.6%

DEBT MATURITY PROFILE as at 31 December 2015



AMPLE DEBT HEADROOM OF $294.2 MILLION BEFORE REACHING 45% GEARING



1 Total Gross Borrowings before transaction costs
2 Total Debt divided by Total Assets
3 As at 31 December 2015, S$1 million of short-term loan was drawn down for general working capital purposes

SIGNIFICANT EVENTS

16 MARCH 2015

Announced the acquisition of four nursing homes and one group home in Japan.

The Properties are:
1) Habitation Hakata I, II, III located at Fukuoka City, Fukuoka Prefecture
2) Excellent Tenpaku Garden Hills located at Nagoya City, Aichi Prefecture
3) Liverari Shiroishi Hana Ichigo-kan[1] located at Sapporo City, Hokkaido Prefecture
4) Liverari Shiroishi Hana Nigo-kan[2] located at Sapporo City, Hokkaido Prefecture
5) Liverari Misono[3] located at Sapporo City, Hokkaido Prefecture

The Weighted Average Lease Term to Expiry as at 31 December 2015 for these five new leases is 18.08 years.

29 APRIL 2015

Announced 1Q 2015 results: Gross revenue increased 0.7% year-on-year to S$24.8 million. Distributable income (after deducting income retained for capital expenditure) increased 14.0% year-on-year to S$19.5 million.

DPU of 3.21 cents for the period declared.

28 JULY 2015

Announced 2Q 2015 results: Gross revenue increased 1.2% year-on-year to S$25.6 million. Distributable income (after deducting income retained for capital expenditure) increased 15.6% year-on-year to S$20.3 million.

DPU of 3.35 cents for the period declared.

5 NOVEMBER 2015

Announced 3Q 2015 results: Gross revenue increased 2.5% year-on-year to S$26.0 million. Distributable income (after deducting income retained for capital expenditure) increased 15.6% year-on-year to S$20.3 million.

DPU of 3.36 cents for the period declared.

26 JANUARY 2016

Announced 4Q 2015 results: Gross revenue increased 4.8% year-on-year to S$26.3 million. Distributable income (after deducting income retained for capital expenditure) increased 16.1% year-on-year to S$20.4 million.

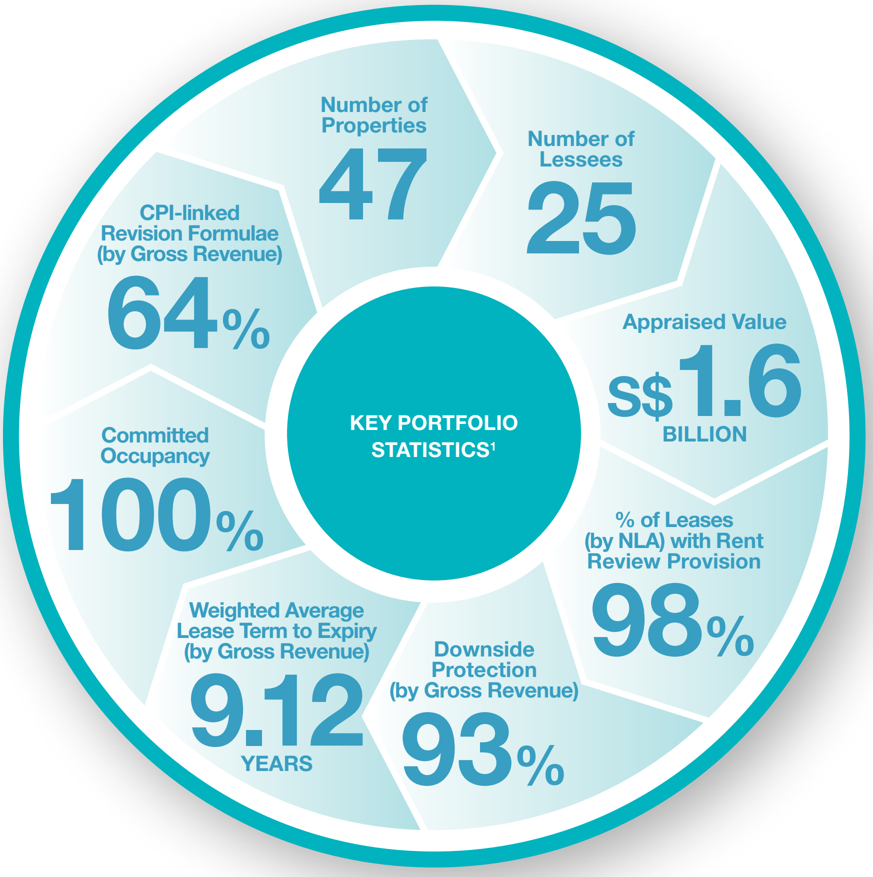
DPU of 3.37 cents for the period declared.

1 Known as Hana Kitago at the point of acquisition
2 Known as Hana Kita 13 Jyo at the point of acquisition
3 Change of name from Ajisai Misono to Liverari Misono with effect from 11 June 2015

PORTFOLIO HIGHLIGHTS

PROACTIVE ASSET MANAGEMENT

PLife REIT constantly strives to maximise portfolio performance to generate sustainable earnings for its Unitholders. Fostering good landlord-lessee relationship remains important as we continually explore value-adding opportunities like asset enhancement and consolidation. As PLife REIT matures from its infancy stage, we recognise the need to diligently review the relevancy of each asset. Through our strategic pillar of "Asset Recycling", we seek to build an optimal portfolio of sustained value.

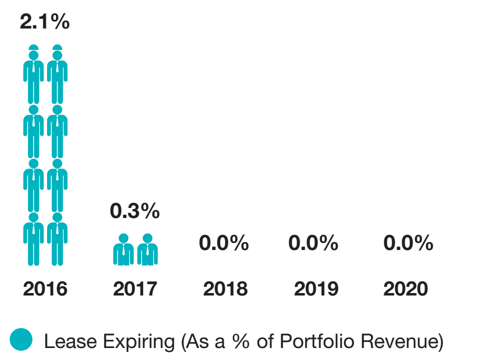


TOP 10 TENANTS[2]

S/N	Tenant	%
1	Parkway Hospitals Singapore Pte. Ltd.	61.8%
2	K.K. Sawayaka Club	8.7%
3	K.K. Habitation	5.8%
4	K.K. Asset	3.1%
5	Miyako Enterprise Co., Ltd.	2.7%
6	Riei Co., Ltd	2.3%
7	Benesse Style Care Co., Ltd	2.2%
8	Nippon Express Co., Ltd	2.0%
9	Green Life Higashi Nihon	1.5%
10	K.K. Oueikikaku	1.5%

REVENUE STABILITY WITH DEFENSIVE LONG-TERM MASTER LEASE STRUCTURES[2]

LEASE EXPIRY PROFILE FOR NEXT 5 YEARS



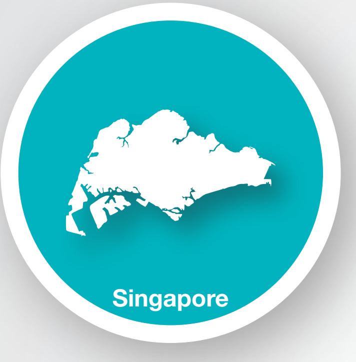
1 As at 31 December 2015
2 Based on Gross Revenue as at 31 December 2015

PORTFOLIO DIVERSIFICATION[3]

By Asset Class[3]

Hospitals and Medical Centres	Nursing Homes	Pharmaceutical Product Distributing and Manufacturing Facility
62.2%	35.8%	2.0%

By Geography[3]



61.8%

Portfolio of 3 strategically-located world-class local private hospitals worth S$1.04 billion[4]

Distinct features of our Singapore Hospital Properties

Long-term Master Leases with Parkway Hospitals Singapore Pte. Ltd.

- 15 + 15 years with effect from 23 August 2007
- 100% committed occupancy

Triple Net Lease Arrangement

- Does not bear these costs: property tax, property insurance[5], property operating expenses
- Minimal exposure to escalating operating expenses

Favourable Lease Structure

- CPI +1% rent review formula for Singapore Hospital Properties guarantees minimum 1% rental growth annually (CPI deemed as zero if it is negative)

37.8%

Portfolio of 43 high quality healthcare properties worth S$590 million[4]

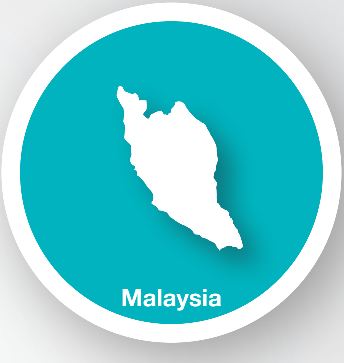
Distinct features of our Japan Properties[3]

Favourable Lease Structure

- Long-term lease structure with weighted average lease term to expiry (by gross revenue) of 13.24 years
- "Up-only" Rental Review Provision for most of our nursing homes

Master Tenanted

- Signifies 100% committed occupancy
- Back-up operator arrangements and rental/lease guarantees for most of our nursing homes provide further rental security



0.4%

Portfolio of high quality healthcare assets worth S$7.4 million[4]

Distinct features of our Malaysia Properties

Gleneagles Intan Medical Centre, Kuala Lumpur is well known in Kuala Lumpur for providing quality medical care.

It enjoys full occupancy with a good tenancy profile; Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. and CIMB Bank Berhad.

3 Based on gross revenue as at 31 December 2015
4 Based on latest appraised values
5 Except Property Damage Insurance for Parkway East Hospital

FINANCIAL REVIEW

STRONG DPU GROWTH

FY2015 had been a challenging year for the global financial markets, culminated from the threat of an economic slowdown in China and the negative impacts arising from a global commodity glut. Despite this difficult macroeconomic backdrop, PLife REIT had strived and continued to deliver strong growth and earnings in FY2015. Distribution Per Unit ("DPU") for the year, including distribution of divestment gains, rose 15.3% year-on-year to 13.29 cents, setting another record high since its IPO.

The REIT's gross revenue increased by 2.3% to S$102.7 million, compared to S$100.4 million in the previous year ("FY2014"). This was mainly attributable to the revenue contribution from the properties acquired in 1Q 2014 and the net effect from higher yielding properties acquired from the asset recycling initiative completed in March 2015. In addition, PLife REIT also continued to benefit from the minimum guarantee rent revision of the Singapore Hospital Properties, under the CPI+1% rental review mechanism. As a result, FY2015 net property income increased by 2.4% to S$96.0 million.

Furthermore, due to the prudent financial risk management adopted by PLife REIT, the adverse impact from the depreciation of the Japanese Yen ("JPY") has been mitigated as PLife REIT has hedged its Japan net income for the next few years. PLife REIT had also protected its Japanese investments from exposure to foreign currency fluctuations by adopting a natural hedge strategy with borrowings in JPY or utilising a cross currency swap to re-align the Singapore dollars borrowing facility back into an effective JPY loan to finance its Japanese investments, enabling it to maintain a stable net asset value.

In the reporting year, PLife REIT registered a realised foreign exchange gain amounting to S$2.7 million from the delivery of Japan net income hedges. As of 31 December 2015, the Group has put in place Japan net income hedge till 1Q 2020 to shield against the volatility in JPY, enhancing the stability of distribution to Unitholders.

Total operating expenses[1] for the year were S$28.5 million, which represented 2.8% of PLife REIT's net asset value as at the end of the financial year. Tax incurred for the year was S$11.9 million.

Arising from the divestment of seven Japan properties in December 2014, the divestment gains (after tax) of S$9,110,000 has been fully distributed to Unitholders throughout the four quarters in FY2015, boosting PLife REIT's DPU.

Accordingly, distributable income increased by 15.3% to S$80.4 million in FY2015.

HEALTHY BALANCE SHEET

Through prudent and pre-emptive capital management measures, PLife REIT continued to maintain its robust financial position in FY2015.

Leverage and Borrowings

As part of ongoing efforts to strengthen its balance sheet, PLife REIT continued to proactively refinance its maturing long-term debts ahead of time to eliminate any near-term refinancing risks.

To this end, as at 31 December 2015, PLife REIT had pre-emptively termed-out of all its long-term debts due

1 Made up of property expenses, management fees, trust expenses and finance costs

in 2016. In addition, in view of the potential risk of rising interest rates stemming from start of interest rate hiking by US Federal Reserve in December 2015, PLife REIT has increased its hedge to approximately 95% of its total interest rate exposure.

To further enhance the resiliency of our balance sheets, the REIT has also carefully calibrated the loan maturity of each facility being put in place to achieve a well-spread out debt maturity. As at 31 December 2015, its total debt was S$589.4 million and its weighted average debt term to maturity stands at 3.5 years. The effective all-in cost of debt is 1.6% per annum, one of the lowest cost of debt amongst the S-REITs.

In terms of liquidity management, PLife REIT has put in place two unsecured and uncommitted short-term multicurrency facilities of S$75 million each (the "Short Term Facilities") for the Group's general working capital purposes. As at 31 December 2015, the Group has drawn down S$1.0 million of the Short Term Facilities for one month, at the bank's cost of fund.

As at 31 December 2015, the total facilities drawn of JPY35.1 million (approximately S$413.2 million[2]) and S$175.2 million credit facilities (the "Long Term Facilities") were committed, unsecured and ranked *pari passu* with all the other present and future unsecured debt obligations of ParkwayLife REIT.

Gearing remained at a healthy level at 35.3% which was within the acceptable range of the revised leverage limits on S-REITs from the Monetary Authority of Singapore (MAS).

With a healthy gearing and ample funding, PLife REIT is in a good position to capitalise on any future acquisitions and growth opportunities.

Cash Flow

PLife REIT is in a net cash position with cash and cash equivalents[3] for the year standing at S$18.5 million, compared to S$144.7 million in FY2014. The decrease in cash and cash equivalents was mainly due to the redeployment of these funds on the acquisition of five Japan properties, as well as to repay short-term loans, in March 2015.

Cash inflow from operating activities for FY2015 increased to S$82.0 million from S$79.7 million in FY2014, mainly due to additional operating cash flows from the existing properties and from the completion of the asset recycling initiative, receipt of security deposits for the new properties acquired in 1Q 2015, offset by the payment of Japanese withholding tax on the divestment gains.

Cash used in investing activities for FY2015 had included the acquisition of properties in 1Q 2015, payment of acquisition-related costs for the property acquired in December 2014, divestment-related costs of the 7 Japan properties disposed and capital expenditure on existing properties.

Cash used in financing activities in FY2015 primarily arose from the distribution to Unitholders and repayment of the JPY short-term loans, offset by long-term loans drawdown to partial finance the new acquisition of four nursing home and one group home on 23 March 2015.

Assets and Asset Valuation

As at 31 December 2015, PLife REIT's property portfolio comprised of 47 high quality healthcare assets, valued approximately at S$1.6 billion. The increase in investment properties was mainly due to acquisition of a total five nursing home properties and one group home property during the year. Furthermore, the Group achieved a valuation gain of S$5.7 million for its existing properties as at 31 December 2015.

Net Asset Value as at 31 December 2015 was S$1.69 per unit.

2 All JPY to S$ conversion is based on the exchange rate of S$1.176 per JPY100 as at 31 December 2015
3 Cash and cash equivalents at the respective period end exclude a cash deposit of JPY154.4 million (S$1.8 million and S$1.7 million as at 31 December 2015 and 31 December 2014 respectively) placed with the Group by a vendor, for the purpose of Rental Income Guarantee

PORTFOLIO
OUR PROPERTIES

SINGAPORE

1. Mount Elizabeth Hospital
2. Gleneagles Hospital
3. Parkway East Hospital

SINGAPORE

MALAYSIA

4. Gleneagles Intan Medical Centre Kuala Lumpur

MALAYSIA

OUR PROPERTIES

	Mount Elizabeth Hospital	Gleneagles Hospital	Parkway East Hospital	Gleneagles Intan Medical Centre, Kuala Lumpur
Land Tenure	Leasehold of 67 years from 23 August 2007	Leasehold of 75 years from 23 August 2007	Leasehold of 75 years from 23 August 2007	Freehold
Floor Area (sq m)[1]	58,139	49,003	10,994	2,444
Number of Beds	345	270	92	–
Number of Strata Units	232, of which 30 are owned by PLife REIT	164, of which 10 are owned by PLife REIT	–	–
Number of Car Park Lots	363	402, of which 121 are owned by PLife REIT	75	69
Number of Storeys	**Hospital Building**: 10-storey block and a 5-storey block **Medical Centre**: 17-storey medical and retail block (All blocks are linked by a common podium with basement car park)	**Hospital Building**: 10-storey block with 2 basements and a 5-storey annex block **Medical Centre**: 10-storey block with 3 basements	**Hospital Building**: 4-storey block **Medical Centre**: 5-storey block (1st and 5th storey of the medical centre are linked to the 1st and 4th storey of the hospital block)	**Medical Centre**: 8-storey block (PLife REIT owns approximately 23.1% of total share value of the building comprising three ground floor units, three medical consulting suites units at 2nd and 7th floors, the entire 8th floor and 69 car park lots)
Year of Completion	**Hospital Building**: 1979 **Medical Centre**: 1979 and 1992	**Hospital Building**: 1991 and 1993 **Annex Block**: 1979 **Medical Centre**: 1991 and 1993	**Hospital Building**: 1982 **Medical Centre**: 1987	1999
Name of Lessee (s)	Parkway Hospitals Singapore Pte Ltd	Parkway Hospitals Singapore Pte Ltd	Parkway Hospitals Singapore Pte Ltd	Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd, CIMB Bank Berhad
Committed Occupancy[2]	100%	100%	100%	100% (excluding car park)
Gross Revenue (2015)	S$40,420,394	S$21,065,843	S$3,181,547	RM1,555,797
Gross Revenue (2014)	S$39,562,087	S$20,618,518	S$3,113,985	RM1,431,698
Purchase Price[3]	S$524.43 million	S$216.0 million	S$34.19 million	RM16.0 million (S$6.38 million)
Year of Purchase	2007	2007	2007	2012
Appraised Value[4] (as at 31 December 2015)	S$653.0 million	S$333.0 million	S$51.4 million	RM22.5 million (S$7.43 million)
Name of Appraiser(s)	Knight Frank Pte Ltd	Knight Frank Pte Ltd	Knight Frank Pte Ltd	DTZ Nawawi Tie Leung

1 Based on gross floor area for Parkway East Hospital; strata areas owned by PLife REIT for Mount Elizabeth Hospital, Gleneagles Hospital and Gleneagles Intan Medical Centre, Kuala Lumpur
2 Committed occupancy of each property for year 2014 and 2015 remain unchanged
3 Based on the exchange rate at point of acquisition
4 At an exchange rate of S$1.00 : RM3.04

PORTFOLIO
OUR PROPERTIES

1. FUKUOKA
- Hapine Fukuoka Noke
- Sawayaka Obatake Ichibankan
- Sawayaka Obatake Nibankan
- Sawayaka Shinmojikan
- Sawayaka Nogatakan
- Sawayaka Fukufukukan
- Sawayaka Mekari Nibankan
- Sawayaka Kiyotakan
- Habitation Jyosui
- Habitation Hakata I, II, III

2. EHIME
- Sawayaka Niihamakan

3. OKAYAMA
- Amille Nakasyo

4. HYOGO
- Palmary Inn Akashi
- Palmary Inn Suma
- Palmary Inn Shin-Kobe

5. OSAKA
- Bon Sejour Ibaraki
- Fiore Senior Residence Hirakata
- Maison des Centenaire Ishizugawa
- Maison des Centenaire Haruki
- Iyashi no Takatsuki Kan
- Royal Residence Gotenyama
- Legato Higashi-Sumiyoshi
- Legato Katano
- Happy Life Toyonaka
- Maison des Centenaire Hannan
- Maison des Centenaire Ohhama
- Sunhill Miyako

6. MIE
- Sawayaka Seaside Toba

7. AICHI
- Excellent Tenpaku Garden Hills

8. KANAGAWA
- Bon Sejour Shin-Yamashita
- Fureai no Sono Musashi Nakahara
- Ocean View Shonan Arasaki

9. SAITAMA
- Smiling Home Medis Musashi Urawa
- Smiling Home Medis Koshigaya Gamo
- As Heim Nakaurawa

10. CHIBA
- Senior Chonaikai Makuhari Kan
- P-Life Matsudo

11. NIIGATA
- Sawayaka Minatokan

12. AKITA
- Sawayaka Sakurakan

13. HOKKAIDO
- Sawayaka Higashikagurakan
- Liverari Shiroishi Hana Ichigo-kan
- Liverari Shiroishi Hana Nigo-kan
- Liverari Misono

JAPAN

OUR PROPERTIES

	Bon Sejour Shin-Yamashita	Bon Sejour Ibaraki	Palmary Inn Akashi	Palmary Inn Suma
Land Tenure	Freehold	Leasehold of 50 years from 1 May 2007	Freehold	Freehold
Land Area (sq m)	1,653	3,051	5,891	2,676
Floor Area (sq m)	3,273	3,651	6,562	4,539
Number of Units (Rooms)	74	94	96	59
Number of Storeys	5	4	6	5/6
Year of Completion	2006	2008	1987; Conversion works were completed in 2003	1989
Name of Lessee(s)	Benesse Style Care Co., Ltd[1]	Benesse Style Care Co., Ltd[1]	Asset Co., Ltd	Asset Co., Ltd
Committed Occupancy[2]	100%	100%	100%	100%
Gross Revenue (2015)	¥97,951,344	¥101,400,904	¥116,826,000	¥68,093,940
Gross Revenue (2014)	¥96,101,415	¥99,629,726	¥113,400,000	¥68,054,280
Purchase Price[3]	¥1,394 million (S$18.36 million)	¥1,121 million (S$14.77 million)	¥1,456 million (S$19.62 million)	¥844 million (S$11.37 million)
Year of Purchase	2008	2008	2008	2008
Appraised Value[4] (as at 31 December 2015)	¥1,550 million (S$18.23 million)	¥1,182 million (S$13.90 million)	¥1,730 million (S$20.34 million)	¥1,000 million (S$11.76 million)
Name of Appraiser(s)	International Appraisals Incorporated	International Appraisals Incorporated	DTZ Japan	DTZ Japan

1 On 1 April 2012, Benesse Style Care Co., Ltd merged as the surviving company with Bon Sejour Corporation
2 Committed occupancy of each property for year 2014 and 2015 remain unchanged
3 Based on the exchange rate at point of acquisition
4 At an exchange rate of S$1.00 : ¥85.03

OUR PROPERTIES




	Senior Chonaikai Makuhari Kan	Smiling Home Medis Musashi Urawa	Smiling Home Medis Koshigaya Gamo	Amille Nakasyo
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	2,853	802	1,993	2,901
Floor Area (sq m)	4,361	1,603	3,824	3,259
Number of Units (Rooms)	108[4]	44	100	75
Number of Storeys	5	3	6	3
Year of Completion	1992; Conversion works were completed in 2004	1991; Conversion works were completed in 2004	1989; Conversion works were completed in 2005	2001
Name of Lessee(s)	Riei Co., Ltd	Green Life Higashi Nihon[5]	Green Life Higashi Nihon[5]	Message Co., Ltd.; Shakai Fukushi Houjin Keiyu-Kai
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2015)	¥101,496,000	¥44,820,000	¥91,260,000	¥48,980,400
Gross Revenue (2014)	¥101,496,000	¥44,820,000	¥91,260,000	¥48,980,400
Purchase Price[2]	¥1,403 million (S$18.90 million)	¥612 million (S$8.24 million)	¥1,289 million (S$17.37 million)	¥555 million (S$8.56 million)
Year of Purchase	2008	2008	2008	2009
Appraised Value[3] (as at 31 December 2015)	¥1,760 million (S$20.70 million)	¥773 million (S$9.09 million)	¥1,590 million (S$18.70 million)	¥694 million (S$8.16 million)
Name of Appraiser(s)	DTZ Japan	DTZ Japan	DTZ Japan	International Appraisals Incorporated

1 Committed occupancy of each property for year 2014 and 2015 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥85.03
4 As at 31 March 2009, total number of units increased from 107 to 108. Operator converted one (1) unit of twin type into two (2) units of single type
5 Change of name with effect from 1 May 2013 due to organisational restructuring by GreenLife Co., Ltd, parent company of Medis Corporation





Hapine Fukuoka Noke	Fiore Senior Residence Hirakata	Maison des Centenaire Ishizugawa	Maison des Centenaire Haruki	Iyashi no Takatsuki Kan
Freehold	Freehold	Freehold	Freehold	Freehold
1,396	727	1,111	801	2,023
2,912	1,155	2,129	1,263	3,956
64	40	52	36	87
5	3	5	4	6
2006	2007	1988; Conversion works were completed in 2003	1996; Conversion works were completed in 2006	1997; Conversion works were completed in 2005
Green Life Co. Ltd[6]	K.K. Vivac	Miyako Kenkokai Medical Corporation	Miyako Kenkokai Medical Corporation	Riei Co., Ltd
100%	100%	100%	100%	100%
¥57,996,000	¥33,600,000	¥61,401,600	¥47,124,000	¥101,351,496
¥57,996,000	¥33,600,000	¥61,382,700	¥47,124,000	¥101,222,294
¥723 million (S$11.15 million)	¥420 million (S$6.48 million)	¥671 million (S$10.35 million)	¥485 million (S$7.48 million)	¥1,107 million (S$17.07 million)
2009	2009	2009	2009	2009
¥887 million (S$10.43 million)	¥523 million (S$6.15million)	¥907 million (S$10.67 million)	¥685 million (S$8.06 million)	¥1,627 million (S$19.13 million)
International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

6 Change of name with effect from 1 May 2013 due to organisational restructuring by GreenLife Co., Ltd, parent company of Care Link Co., Ltd

OUR PROPERTIES

	Sawayaka Obatake Ichibankan	Sawayaka Obatake Nibankan	Sawayaka Shinmojikan	Sawayaka Nogatakan
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	1,786	1,042	2,813	2,707
Floor Area (sq m)	3,491	1,538	5,088	3,147
Number of Units (Rooms)	78	26	112	78
Number of Storeys	5	3	6	3
Year of Completion	2007	2007	2007	2005
Name of Lessee(s)	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Sawayaka Club
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2015)	¥58,241,607	¥28,863,358	¥75,639,996	¥57,709,332
Gross Revenue (2014)	¥57,072,494	¥27,812,138	¥75,579,997	¥59,577,997
Purchase Price[2]	¥660 million (S$10.07 million)	¥276 million (S$4.21 million)	¥848 million (S$12.93 million)	¥631 million (S$9.62 million)
Year of Purchase	2010	2010	2010	2010
Appraised Value[3] (as at 31 December 2015)	¥795 million (S$9.35 million)	¥376 million (S$4.42 million)	¥1,000 million (S$11.76 million)	¥758 million (S$8.91 million)
Name of Appraiser(s)	Colliers International	Colliers International	Colliers International	Colliers International

1 Committed occupancy of each property for year 2014 and 2015 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥85.03





Sawayaka Sakurakan	As Heim Nakaurawa	Fureai no Sono Musashi Nakahara	Royal Residence Gotenyama	Legato Higashi-Sumiyoshi
Freehold	Freehold	Freehold	Freehold	Freehold
6,276	1,762	935	794	951
5,044	2,692	1,847	1,560	2,828
110	64	47	44	71
4	4 + 1 (basement)	4	4 + 1 (basement)	7
2006	2006	2006	2006	2006
K.K. Sawayaka Club	As Partners Co., Ltd	Y.K. Shonan Fureai no Sono	K.K. Shakai Fukuishi Sogo Kenkyujo	Planning Care Co. Ltd
100%	100%	100%	100%	100%
¥71,819,196	¥67,200,000	¥52,800,000	¥38,338,620	¥71,026,968
¥70,434,997	¥67,200,000	¥52,800,000	¥38,247,000	¥70,991,826
¥725 million (S$11.06 million)	¥812 million (S$12.72 million)	¥628 million (S$9.83 million)	¥389 million (S$6.10 million)	¥759 million (S$11.89 million)
2010	2010	2010	2010	2010
¥837 million (S$9.84 million)	¥1,140 million (S$13.41 million)	¥906 million (S$10.65 million)	¥568 million (S$6.68 million)	¥1,100 million (S$12.94 million)
Colliers International	DTZ Japan	DTZ Japan	DTZ Japan	DTZ Japan

OUR PROPERTIES




	Legato Katano	Sawayaka Fukufukukan	Sawayaka Higashikagurakan	Happy Life Toyonaka
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	1,139	1,842	4,813	628
Floor Area (sq m)	1,688	3,074	5,335	1,254
Number of Units (Rooms)	49	72	110	42
Number of Storeys	3	4 + 1	4	4
Year of Completion	2004	2008	2010	2007
Name of Lessee(s)	Planning Care Co. Ltd	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Nihon Kaigo Iryo Center
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2015)	¥46,040,400	¥50,529,498	¥81,210,396	¥35,280,000
Gross Revenue (2014)	¥46,049,400	¥50,217,503	¥81,199,146	¥35,280,000
Purchase Price[2]	¥499 million (S$7.81 million)	¥564 million (S$8.74 million)	¥866 million (S$13.36 million)	¥445 million (S$5.67 million)
Year of Purchase	2010	2011	2012	2013
Appraised Value[3] (as at 31 December 2015)	¥690 million (S$8.11 million)	¥715 million (S$8.41 million)	¥986 million (S$11.60 million)	¥514 million (S$6.04 million)
Name of Appraiser(s)	DTZ Japan	Colliers International	Colliers International	International Appraisals Incorporated

1 Committed occupancy of each property for year 2014 and 2015 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥85.03





Palmary Inn Shin-Kobe	Sawayaka Seaside Toba	Sawayaka Niihamakan	Sawayaka Minatokan	Sawayaka Mekari Nibankan
Freehold	Freehold	Freehold	Freehold	Freehold
1,034	2,803	4,197	3,551	1,354
3,964	7,360	7,382	2,246	2,133
71	129	135	50	61
10	7	7	3	3
1992 Conversion works were completed in 2003	2012	2012	2012	2012
Asset Co., Ltd	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Sawayaka Club
100%	100%	100%	100%	100%
¥99,654,000	¥110,838,048	¥104,186,688	¥52,061,460	¥24,799,992
¥99,600,000	¥110,620,806	¥104,169,186	¥52,055,700	¥24,799,992
¥1,310 million (S$16.70 million)	¥1,380 million (S$17.66 million)	¥1,300 million (S$16.64 million)	¥650 million (S$8.32 million)	¥310 million (S$3.97 million)
2013	2013	2013	2013	2013
¥1,560 million (S$18.35 million)	¥1,480 million (S$17.40 million)	¥1,460 million (S$17.17 million)	¥706 million (S$8.30 million)	¥336 million (S$3.95 million)
International Appraisals Incorporated	Colliers International	Colliers International	Colliers International	Colliers International

OUR PROPERTIES

	Sawayaka Kiyotakan	Maison des Centenaire Hannan	Maison des Centenaire Ohhama	Sunhill Miyako
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	2,597	7,827	1,281	10,867
Floor Area (sq m)	5,661	4,331	1,717	4,299
Number of Units (Rooms)	108	95	47	34
Number of Storeys	8	3	5	4
Year of Completion	2013	2010	1990	1996
Name of Lessee(s)	K.K. Sawayaka Club	Miyako Enterprise Co., Ltd	Miyako Enterprise Co., Ltd	Miyako Enterprise Co., Ltd
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2015)	¥69,210,636	¥124,000,008	¥48,999,996	¥67,117,988
Gross Revenue (2014)	¥69,172,140	¥94,337,914	¥37,276,879	¥50,993,330
Purchase Price[2]	¥860 million (S$11.01 million)	¥1,600 million (S$19.82 million)	¥600 million (S$7.43 million)	¥800 million (S$9.91 million)
Year of Purchase	2013	2014	2014	2014
Appraised Value[3] (as at 31 December 2015)	¥908 million (S$10.68 million)	¥1,850 million (S$21.76 million)	¥722 million (S$8.49 million)	¥877 million (S$10.31 million)
Name of Appraiser(s)	Colliers International	Colliers International	Colliers International	Colliers International

1 Committed occupancy of each property for year 2014 and 2015 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥85.03

	Habitation Jyosui	Ocean View Shonan Arasaki	Habitation Hakata I, II, III	Excellent Tenpaku Garden Hills	Liverari Shiroishi Hana Ichigo-kan[8]
	Freehold	Freehold	Freehold	Freehold	Freehold
	3,259[4]	3,067	15,336	6,593	628
	6,076[5]	5,304	21,415	4,000	1,056
	87	79	318	94	48
	11	6	3 to 8[6]	4	3
	2005	2013	1987 to 2003[7]	2013	2011
	K.K. Habitation	K.K. Oueikikaku	K.K. Habitation	K.K. Kokanomori	Living Platform, Ltd.
	100%	100%	100%	100%	100%
	¥245,000,004	¥129,950,599	¥213,804,211	¥83,612,903	¥18,580,645
	¥13,172,043	NA	NA	NA	NA
	¥3,535 million (S$39.17 million)	¥1,700 million (S$18.72 million)	¥3,705 million (S$42.61 million)	¥1,645 million (S$18.92 million)	¥298 million (S$3.43 million)
	2014	2015	2015	2015	2015
	¥3,660 million (S$43.04 million)	¥1,950 million (S$22.93 million)	¥3,770 million (S$44.34 million)	¥1,790 million (S$21.05 million)	¥343 million (S$4.03 million)
	Colliers International	Colliers International	Colliers International	Colliers International	Colliers International

4 Total land area of the integrated development
5 Strata area of the Property owned by PLife REIT
6 5-storey for Hakata I, 8-storey for Hakata II, 3-storey for Hakata III
7 Hakata I on 1984, Hakata II on 1995, Hakata III on 2003
8 Known as Hana Kitago at the point of acquisition

OUR PROPERTIES



	Liverari Shiroishi Hana Nigo-kan[4]	Liverari Misono[5]	P-Life Matsudo
Land Tenure	Freehold	Freehold	Freehold
Land Area (sq m)	436	429	8,450
Floor Area (sq m)	747	724	3,240
Number of Units (Rooms)	24	18	NA
Number of Storeys	3	3	2
Year of Completion	1990	1993	2005; Additional works were completed in 2007
Name of Lessee(s)	Living Platform, Ltd.	K.K. Care Products	Nippon Express Co., Ltd (Master Lessee); Alere Medical Co., Ltd (Sub-Lessee)
Committed Occupancy[1]	100%	100%	100%
Gross Revenue (2015)	¥9,491,114	¥11,304,465	¥178,635,772
Gross Revenue (2014)	NA	NA	¥178,635,849
Purchase Price[2]	¥152 million (S$1.75 million)	¥177 million (S$2.04 million)	¥2,590 million (S$34.19 million)
Year of Purchase	2015	2015	2008
Appraised Value[3] (as at 31 December 2015)	¥167 million (S$1.97 million)	¥189 million (S$2.22 million)	¥3,150 million (S$37.04 million)
Name of Appraiser(s)	Colliers International	Colliers International	DTZ Japan

1 Committed occupancy of each property for year 2014 and 2015 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥85.03
4 Known as Hana Kita 13 Jyo at the point of acquisition
5 Change of name from Ajisai Misono to Liverari Misono with effect from 11 June 2015

INVESTOR RELATIONS

PROACTIVE COMMUNICATION WITH THE INVESTING COMMUNITY & UNITHOLDERS

The Manager of PLife REIT ("Manager") is committed to all its stakeholders and continues to foster strong relationships with all Unitholders and the financial and investing communities by engaging them in regular and transparent communications.

The Manager believes and adopts a proactive approach in reaching out to existing and potential investors, analysts, media and Unitholders through various communications channels and programmes such as the corporate website, corporate literature, annual general meeting and outreach programmes, throughout the year.

MULTIPLE CHANNELS OF COMMUNICATIONS

Corporate Website

PLife REIT's corporate website (www.plifereit.com) allows easy access to comprehensive information on the REIT. Information like stock data, SGXnet announcements, financial statements, press releases, presentation slides, annual reports and other corporate development is regularly updated to keep Unitholders and the general public abreast of the REIT's performance on a timely basis. Through the information available on the corporate website, the Manager also provides insights into its growth strategy and latest developments. The Manager also actively seeks investors' feedback by encouraging Unitholders to provide feedback or submit their enquiries to the Manager via the corporate website.

Corporate Literature

All new announcements, such as corporate developments, financial statements, press releases and presentation slides are posted on the corporate website immediately following its release to SGX to ensure prompt dissemination of information to Unitholders. PLife REIT regularly publishes updates on its financial and operational data in a clear, concise and factual manner.

Annual General Meeting

Each year, PLife REIT holds its Annual General Meeting ("AGM") in April in Singapore. The AGM is a platform for all Unitholders to interact with the Board of Directors and management of the Manager, as well as to decide on the proposed resolutions. The AGM also allows the Manager to share with Unitholders the strategic direction of PLife REIT and for the Board of Directors and management to address Unitholders' questions or concerns.

Investor Outreach Programme

The Manager is committed to engaging local and foreign institutional investors and analysts on a regular basis as part of its outreach programme with the investing community.

Periodically, the Manager would arrange site visits to its key properties to help investors, analysts and the media better understand the REIT's portfolio.

It also holds regular face-to-face meetings with key investors and participates in investment or industry conferences, analyst briefings and non-deal roadshows in key financial centres. Some of the key investor relations activities conducted in FY2015 are listed below:

Key Events/IR Activities in FY2015

1st Quarter	One-on-one Investors' Meetings Reverse Non-Deal Roadshow for Japanese Bond Investors (Japan)
2nd Quarter	Annual General Meeting One-on-one Investors' Meetings Citi ASEAN Investor Conference (Singapore) Citi Asia Pacific Property Conference (Hong Kong)
3rd Quarter	One-on-one Investors' Meetings DBS Vickers The Pulse of Asia Conference (Singapore) DBS Vickers Non-Deal Roadshow (New York, Boston, San Francisco, Toronto)
4th Quarter	One-on-one Investors' Meetings CIMB Healthcare Conference (Singapore & Hong Kong) Credit Suisse Singapore Healthcare Corporate Day (Singapore)

INVESTOR RELATIONS

News & Media Relations

Through media platforms, the Manager also seeks to inform and articulate its strategies and plans to the public and investors. News releases on its corporate developments and financial results are regularly picked up by newswires and the local press. Additionally, articles that identified healthcare REITs as one of the more resilient REIT classes to withstand the economic slowdown often distinguish PLife REIT as one of the most stable plays that investors should consider[1]. The Edge has also featured a corporate profile on PLife REIT on 21 July 2015. The article summed up the REIT's performance over the years and highlighted its growth strategy through the asset recycling initiative. Along with exciting the market about the healthcare industry, the article also highlighted the continuity and strength of the REIT and management team.

The Manager would endeavour to consistently improve on its communications to better improve its outreach.

ANALYST COVERAGE

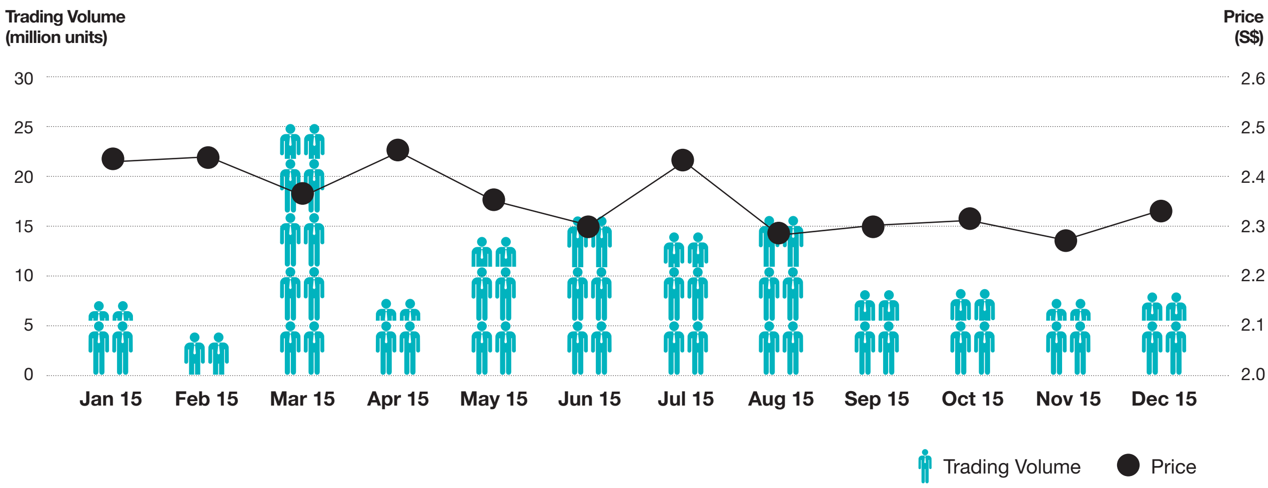
The following brokerage houses provide research coverage on PLife REIT as of 31 December 2015:

- CIMB Research
- Citi Investment Research
- DBS Vickers Research
- UBS Investment Research
- UOB Kay Hian Research

PLife REIT Unit Price Performance in FY2015[2]

	FY2015
Opening Price (S$)	2.35
Closing Price (S$)	2.33
High (S$)	2.46
Low (S$)	2.20
Trading Volume (million units)	142.1
% of S-REIT Trading Volume	0.71%
Market Capitalisation (S$ million)[3]	1,409.7

PLife REIT Monthly Trading Performance in FY2015[2]



1 Koh, J. (2015, October 26). Greying consumers are an investor's goldmine. The Straits Times.
2 Figures attained via Bloomberg
3 Based on last trading date of the respective financial year

CORPORATE GOVERNANCE

Parkway Trust Management Limited, in its capacity as the Manager of PLife REIT recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, the success of PLife REIT. The Manager is firmly committed to good corporate governance and has adopted a comprehensive corporate governance framework that meets best practice principles. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interests of Unitholders.

The following sections describe the Manager's main corporate governance policies and practices with reference to the Code of Corporate Governance 2012 (the "**CG Code**"). They encompass proactive measures for avoiding situations of conflict and potential conflicts of interest and ensuring that applicable laws and regulations (such as the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") including the Property Funds Appendix in Appendix 6 of the CIS Code (the "**Property Funds Appendix**"), the CMS Licence (as defined below), the tax ruling issued by the Inland Revenue Authority of Singapore on the taxation of PLife REIT and its Unitholders are complied with, and that the Manager's obligations under PLife REIT's Trust Deed (as defined below) are properly and efficiently carried out. The Manager confirms that it has adhered to the principles and guidelines as set out in the CG Code where applicable. Any deviations from the CG Code are explained in this section.

THE MANAGER OF PLIFE REIT

The Manager has general powers of management over the assets of PLife REIT. The Manager's main responsibility is to manage PLife REIT's assets and liabilities for the benefit of Unitholders.

The Manager sets the strategic direction of PLife REIT and makes recommendations to the Trustee on the acquisition, divestment and enhancement of assets of PLife REIT in accordance with its stated investment strategy.

Other main functions and responsibilities of the Manager are as follows:

1. Using its best endeavours to carry on and conduct its business in a proper and efficient manner, to ensure that the business of PLife REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or on behalf of PLife REIT at arm's length and on normal commercial terms;

2. Preparing property plans on an annual basis for review by the directors of the Manager, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, rental rates, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of PLife REIT's assets;

3. Ensuring compliance with the applicable provisions of the SFA and all other relevant laws and regulations, the Listing Manual, the CIS Code (including the Property Funds Appendix), the CMS Licence, the Trust Deed, the tax ruling issued by the Inland Revenue Authority of Singapore on the taxation of PLife REIT and its Unitholders and all relevant contracts;

4. Attending to all regular communications with Unitholders; and

5. Provision of project management services including co-ordination of pre-qualification and tender exercises as well as project meetings, recommendation of project budget and appointment of project consultants as well as monitoring and supervising any third parties engaged to provide such services.

PLife REIT, constituted as a trust, is externally managed by the Manager and accordingly, has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle its day-to-day operations. All directors and employees of the Manager are remunerated by the Manager, and not PLife REIT.

Parkway Trust Management Limited has been appointed as the Manager of PLife REIT in accordance with the terms of the trust deed constituting PLife REIT dated 12 July 2007 (as amended, the "**Trust Deed**"). The Trust Deed outlines certain circumstances under which the Manager can be retired in favour of a corporation approved by the Trustee or be removed by notice given in writing from the Trustee upon the occurrence of certain events.

CORPORATE GOVERNANCE

On 1 August 2008, a licensing regime for managers of real estate investment trusts ("**REITs**") was implemented under the SFA. A person conducting REIT management activities is required to hold a capital markets services licence ("**CMS Licence**") pursuant to the SFA. On 11 August 2009, the Manager obtained a CMS Licence from MAS to conduct REIT management. As a holder of a CMS Licence, the Manager is required to comply with various laws and regulations applicable to CMS Licence holders which include, among others, the SFA, the Securities and Futures (Licensing and Conduct of Business) Regulations, the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations and the Securities and Futures (Disclosures of Interests) Regulations.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.*

The board of directors of the Manager (the "**Board**") is responsible for the overall management and corporate governance of the Manager including establishing strategic objectives, providing entrepreneurial leadership, establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager including a system of internal controls and a business risk management process which enables risks to be assessed and managed.

The Board meets regularly, at least once every quarter, to deliberate the strategic objectives and policies of PLife REIT. Matters requiring the Board's decision and approval include matters relating to investments, acquisitions and disposals, leasing, assets enhancement initiatives, operating/capital expenditure, loan or debt financing or refinancing taking into consideration PLife REIT's commitment in terms of capital and other resources, the annual budget, the release of the quarterly and full year results, the appointment of directors and other material transactions. The Board also reviews the financial performance of PLife REIT against a previously approved budget, assesses the risks to the assets of PLife REIT, examines liability management, and acts upon any comments from the auditors of PLife REIT. Where necessary, additional Board meetings are held to address significant transactions or issues.

The number of Board and Board committee meetings during the financial year ended 31 December 2015 ("**FY2015**"), as well as the attendance of each Board member at these meetings, are set out below.

Director	Board Meetings	Audit Committee Meetings	Nominating and Remuneration Committee Meetings
Mr. Lim Kok Hoong	4	4	–
Mr. Puah Tuan Soon Benson	4	4	2
Mr. Tan Bong Lin	4	4	2
Dr. Tan See Leng	4	–	2
Mr. Ahmad Shahizam Bin Mohd Shariff*	4	–	–
Dr. Lim Suet Wun	4	–	–
Mr. Tan See Haw	4	–	–
Ms. Rossana Annizah Binti Ahmad Rashid#	–	–	–
Mr. Yong Yean Chau	4	–	–
No. of Meetings held in FY2015	4	4	2

* Resigned with effect from 16 November 2015
# Appointed with effect from 16 November 2015

In the discharge of its functions, the Board is supported by an Audit Committee ("**AC**") that provides independent oversight of the Manager. The Board is also supported by a Nominating and Remuneration Committee ("**NRC**") which oversees the remuneration matters of the directors and key management personnel of the Manager and the effectiveness of the Board. Each of these Board committees operates under delegated authority of the Board and is governed by its respective terms of reference which have been approved by the Board.

The Board has adopted a set of internal controls which it believes is adequate in safeguarding Unitholders' interests and PLife REIT's assets. Appropriate delegation of authority has been provided to management to facilitate operational efficiency.

Changes to laws, regulations, accounting standards and commercial risks are monitored closely. To keep pace with such changes where these changes have an important bearing on the Manager's or directors' obligations, the directors will be briefed either during Board meetings or at specially-convened sessions involving the relevant professionals. The Board may also participate in seminars and/or discussion group to keep abreast of the latest developments which are relevant to the Manager and PLife REIT. In FY2015, the AC was updated on the New Auditor Reporting Requirements and the Board was updated on (i) the MAS Response to Feedback Received: Consultation on Enhancements to the Regulatory Regime Governing REITs and REIT Managers and (ii) the Listing Manual Amendments on Undertakings from Directors and Executive Officers.

BOARD COMPOSITION AND GUIDANCE

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board presently consists of eight members, seven of whom are non-executive directors (including three independent directors). The Chairman of the Board is Mr. Lim Kok Hoong. None of the directors has entered into any service contract directly with PLife REIT.

Current Director's Appointment and Membership on Board Committees

Director	Board membership	Audit Committee	Nominating and Remuneration Committee
Mr. Lim Kok Hoong	Chairman and Independent Director	Member	–
Mr. Puah Tuan Soon Benson	Independent Director	Member	Chairman
Mr. Tan Bong Lin	Independent Director	Chairman	Member
Dr. Tan See Leng	Non-Executive Director	–	Member
Mr. Ahmad Shahizam Bin Mohd Shariff*	Non-Executive Director	–	–
Dr. Lim Suet Wun	Non-Executive Director	–	–
Mr. Tan See Haw	Non-Executive Director	–	–
Ms. Rossana Annizah Binti Ahmad Rashid#	Non-Executive Director	–	–
Mr. Yong Yean Chau	Executive Director	–	–

* Resigned with effect from 16 November 2015
\# Appointed with effect from 16 November 2015

The composition of the Board is determined using the following principles:

1. the Chairman of the Board and Chief Executive Officer should in principle be separate persons;

2. the Board should comprise directors with a broad range of expertise and commercial experience (including expertise in funds management and the property industry), and knowledge of PLife REIT; and

3. at least one-third of the Board should comprise independent directors.

CORPORATE GOVERNANCE

Independent Directors

The Board has three independent directors, namely Mr. Lim Kok Hoong, Mr. Puah Tuan Soon Benson and Mr. Tan Bong Lin. The criterion of independence is based on the definition given in the CG Code. The Board considers an "independent" director is one who has no relationship with the Manager, its related corporations, its 10% shareholders or its officers or Unitholders of PLife REIT who have an interest of 10% or more in the Units of PLife REIT that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Manager and PLife REIT.

The NRC has conducted an annual review of the directors' independence. The NRC noted that Mr. Lim Kok Hoong, Mr. Puah Tuan Soon Benson and Mr. Tan Bong Lin will serve on the Board for a period exceeding nine years in July 2016 as they were first appointed to the Board on 5 July 2007. However, the NRC considered that Mr. Lim, Mr. Puah and Mr. Tan have each demonstrated independence of view and conduct at both Board meetings and Board committee meetings and have been exercising independent judgement in the best interests of PLife REIT. The NRC therefore considered that each of them should be considered independent despite their length of service. Based on the recommendations of the NRC, the Board concurred that Mr. Lim, Mr. Puah and Mr. Tan to be independent.

Non-executive Directors

Non-executive directors exercise no management functions in the Manager or PLife REIT or any of its subsidiaries. Although all the directors have equal responsibility for the performance of the Manager and PLife REIT, the role of the non-executive directors is particularly important in ensuring that the performance of management in meeting agreed goals and objectives is reviewed and the reporting of performance is monitored; and the strategies proposed by management are fully discussed, rigorously examined and developed, taking into account the long-term interests of PLife REIT's assets and the Unitholders. The non-executive directors meet regularly without the presence of the management.

A new female Board member, Ms. Rossana Annizah Binti Ahmad Rashid was appointed to the Board on 16 November 2015. The Board has reviewed its composition and is satisfied that the existing size and composition is appropriate, taking into account the scope and nature of operations of the Manager and PLife REIT, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and its committees. The majority of the directors are non-executive and/or independent of the management. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of roles of the Chairman and Chief Executive Officer described below, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate the business activities of the Manager. The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and is of the appropriate size.

The profiles of the directors are set out on pages 16 to 20 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The positions of Chairman and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance and ensure increased accountability and greater capacity for the Board for independent decision making. The Chairman of the Board, Mr. Lim Kok Hoong is an independent director. The Chief Executive Officer is Mr. Yong Yean Chau who is also an executive director of the Manager. The Chairman and the Chief Executive Officer are not immediate family members and are not related to each other.

There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the overall management of the Board as well as ensuring that the directors and the management work together with integrity and competency and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans.

The Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day to day management of the Manager and PLife REIT.

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment and reappointment of directors to the Board.*

The appointment of director is a matter reserved for Board approval. The search for candidates is conducted through contacts and recommendations. The NRC will evaluate and assess the candidate based on the directors' criteria approved by the Board, candidate's academic and professional qualifications, expertise, commercial experience and knowledge, taking into account the scope and nature of operations of the Manager and PLife REIT. Suitable candidates are recommended by the NRC to the Board for approval. The Board will deliberate and review the proposed appointment of a new director taking into account the recommendation by the NRC. Such appointment is subject to the approval of MAS. Newly appointed directors are briefed on the business activities and plans of the Manager and PLife REIT, the regulatory environment in which PLife REIT operates, the Manager's corporate governance practices and the director's statutory duties and responsibilities. As the Manager is not a listed company, directors of the Manager are not subject to periodic retirement by rotation.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and is of the appropriate size. In carrying out this review, the Board looks to achieve a balance in matters such as skill representation, experience, diversity (including gender diversity) and knowledge of the company.

The Board has set a general policy that a director should not have more than six listed company board representations to take into account the market practices and the level of commitment required. This helps to ensure that the Board is effective as a whole and that each director is capable of contributing time and attention to the affairs of PLife REIT and the Manager, including attending and contributing at Board meetings.

BOARD PERFORMANCE

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

A review of the Board's performance is conducted annually to assess the effectiveness of the Board. The review of the Board's performance includes the Board composition, directors' contribution and commitment at board meetings, access to information, procedures, accountability and standards of conduct, skills and any specific areas where improvement may be made by an individual director and the Board collectively. Attendance at meetings as well as the contributions of each director to the Board are also considered. Directors are required to complete a questionnaire evaluating the Board. A summary of the feedbacks and recommendations has been prepared and presented to the NRC and the Board respectively. The NRC has reviewed the summary and put forward its comments and recommendations to the Board for approval. The Board is satisfied with the effectiveness of the Board and that all directors have demonstrated commitment to their roles and contributed effectively to the Board.

ACCESS TO INFORMATION

Principle 6: *In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The management provides the Board with complete and adequate information on the business and the operations of PLife REIT and the Manager, on a regular and quarterly basis, at Board meetings.

CORPORATE GOVERNANCE

The annual calendar of the Board meeting is scheduled in advance. Board papers are dispatched to directors about a week before the scheduled meetings so that directors have sufficient time to review and consider matters being tabled and discussed at the meetings. The senior executives are also requested to attend the Board meetings to provide insights into matters being discussed and to respond to any queries from the directors.

The Board has separate and independent access to management and the company secretary at all times. The Board is entitled to request from management and is provided with such additional information in a timely manner as needed to make informed decisions. The company secretary attends to corporate secretarial administration, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The company secretary also attends all Board meetings. The appointment and removal of the company secretary is a Board reserved matter. The Board also has access to independent professional advice where appropriate, at the Manager's expense.

REMUNERATION MATTERS

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The directors' fees and remuneration of staff of the Manager are paid in its own capacity using its own funds and fees received from PLife REIT and not from the funds of PLife REIT.

The Manager advocates a performance based remuneration system for the Chief Executive Officer/executive director and key management personnel. The NRC, which has an independent majority, helps to ensure that there is an effective and formal process to establish the remuneration system. The remuneration of the Chief Executive Officer/executive director and the key management personnel is reviewed by the NRC on an annual basis taking into account the financial performance of both PLife REIT and the Manager for the financial year under review and individual performance of each of the Chief Executive Officer/executive director and key management personnel in contribution to the long-term strategic goals of PLife REIT and the Manager.

The remuneration for the Chief Executive Officer/executive director and key management personnel comprises fixed pay and short-term and long-term incentives. The fixed pay component includes fixed salary and allowances. The short-term and long-term incentives are tied to the individual performance and the performance of PLife REIT and the Manager which include measurements such as the distributable income of PLife REIT and net income before tax of the Manager ("**Performance Criteria**"). Under the long-term incentive plan ("**LTI Plan**"), the eligible employee will be awarded with the PLife REIT's units owned by the Manager based on the achievement of the Performance Criteria for the financial year under review.

The LTI Plan is designed to enhance executive performance, encourage talent retention and provide eligible employees with a personal direct interest in PLife REIT, so as to create better alignment of the interest between management and the interest of Unitholders of PLife REIT. The LTI Plan will also serve to motivate eligible employees to achieve the performance targets of PLife REIT and the Manager. The Manager believes that the LTI Plan will make the Manager's remuneration package sufficiently competitive to recruit, reward, retain and motivate outstanding employees which are paramount to the Manager's long-term objective of achieving sustainable returns for Unitholders of PLife REIT.

The fees received by non-executive directors are at fixed rates (paid in one lump sum) and determined by the shareholder of the Manager on an annual basis. In addition to their basic fee, the non-executive directors who hold the position of chairman in the Board and any Board committee will be paid an additional fee. For the avoidance of doubt, the

Chief Executive Officer/executive director does not receive any director's fee. None of the directors was involved in any decisions concerning their own remuneration. Since year 2010, the remuneration of the non-executive directors was increased nominally in year 2013 and has remained unchanged for calendar years 2014 and 2015. For FY2015, the director's fees paid to each of the following non-executive directors did not exceed S$250,000:

- Mr. Lim Kok Hoong (Chairman)
- Mr. Puah Tuan Soon Benson
- Mr. Tan Bong Lin
- Dr. Tan See Leng*
- Mr. Ahmad Shahizam Bin Mohd Shariff*^
- Dr. Lim Suet Wun*
- Mr. Tan See Haw*
- Ms. Rossana Annizah Binti Ahmad Rashid#

* Director's fees are paid to Parkway Group Healthcare Pte. Ltd.
^ Resigned with effect from 16 November 2015.
\# Appointed with effect from 16 November 2015.

The remuneration of the Chief Executive Officer/executive director and the key management personnel of the Manager are linked to the financial performance of PLife REIT and the Manager, with a larger percentage being linked to the financial performance of PLife REIT. As the Manager is a dedicated REIT manager whose income is solely derived from management fees payable by PLife REIT in exchange for its services, there is a direct correlation between the financial performance of PLife REIT and the Manager. Accordingly, such form of compensation should incentivise the Chief Executive Officer/executive director and the key management personnel to improve the performance of PLife REIT over the long-term and to increase PLife REIT's asset value and property income. In addition, there is transparency and accountability to Unitholders due to full disclosure of the total amount of fees payable to the Manager, and Unitholders are able to assess the performance of the Manager through the performance of PLife REIT. As such, the Board considers that the remuneration policy will not result in the Chief Executive Officer/executive director and the key management personnel prioritising the interests of the Manager over that of PLife REIT and its Unitholders.

The Board has assessed and decided against the disclosure of the remuneration of the Chief Executive Officer/executive director and key management personnel on a named basis, whether in exact quantum or in bands of S$250,000, for the following reasons:

1. The remuneration of directors and employees of the Manager are not paid out of the deposited property of PLife REIT (which is the listed entity), but is remunerated directly by the Manager from the fees that it receives.

2. The Manager is of the view that disclosure of specific remuneration information may give rise to recruitment and talent retention issues in light of the competiveness between REIT managers in Singapore because there are relatively few REIT manager companies compared to the number of listed companies in Singapore so there are competitive issues in recruiting and retaining competent personnel in this limited space.

3. There is already full disclosure of the total amount of fees payable to the Manager in page 123 of this Annual Report.

The Manager does not consider it prejudicial to Unitholders' interests if the remuneration of the Chief Executive Officer/executive director and key management personnel is not specifically disclosed. Instead, the Manager believes that such disclosure would be disadvantageous given the highly competitive conditions in the REIT industry where poaching of executives is commonplace. As the retention of the Chief Executive Officer/executive director and key management personnel is crucial for continuity and a stable management platform for the interest of PLife REIT, the Manager does not wish to disclose such specific remuneration information.

No director or key management personnel of the Manager is paid in the form of shares or interests in the Manager's controlling shareholder or its related entities.

For FY2015, there were no termination, retirement and post-employment benefits granted to directors, the Chief Executive Officer/executive director and the key management personnel other than the payment in lieu of notice in the event of termination in the employment contracts of the Chief Executive Officer/executive director and the key management personnel.

CORPORATE GOVERNANCE

No employee of the Manager was an immediate family member of a director and Chief Executive Officer/executive director and whose remuneration exceeded S$50,000 during the financial year 2015. "Immediate family member" means the spouse, child, adopted child, step-child, sibling and parent.

NOMINATING AND REMUNERATION COMMITTEE

With effect from 27 January 2015, the Remuneration Committee of the Manager was expanded to include roles and responsibilities of a nominating committee. The Remuneration Committee is being renamed as the NRC. The NRC has assumed its roles and responsibilities in accordance to the terms of reference approved by the Board.

The NRC currently comprises Mr. Puah Tuan Soon Benson (Chairman of the NRC) and Mr. Tan Bong Lin, both of whom are non-executive and independent directors, and Dr. Tan See Leng, a non-executive director.

The NRC has a set of terms of reference defining its scope of responsibility and authority, which includes the following:

(a) recommending to the Board a framework of remuneration for key management personnel, and to determine specific remuneration packages for the Board and key management personnel covering all aspects of remuneration including but not limited to director's fees, salaries, allowances, bonuses, options, unit-based incentives, awards and benefits in kind;

(b) reviewing the appropriateness of remuneration awarded to attract, retain and motivate the executive director and key management personnel needed to run the Manager and PLife REIT successfully;

(c) reviewing the pay and employment conditions within the industry and those of the peer companies to ensure that the executive director and key management personnel are adequately remunerated;

(d) reviewing the adequacy and form of remuneration to the directors and key management personnel to ensure that the remuneration realistically commensurate with the responsibilities and risks involved in being an effective member, as well as corporate and individual performance;

(e) considering the eligibility of the executive director and key management personnel for benefits under long-term incentive schemes and the administration thereof;

(f) reviewing the use of long-term incentives, including share schemes, for the executive director and key management personnel;

(g) proposing candidates to the Board and Board committees of the Manager;

(h) overseeing the succession planning for the Board;

(i) assessing the performance and effectiveness of the Board as a whole and the Board committees and assessing the contribution of each director to the effectiveness of the Board;

(j) recommending the training and professional development programs for the Board; and

(k) assessing independence of each director on an annual basis.

The members of the NRC do not participate in any decisions concerning their own remuneration.

The NRC ensures that non-executive directors are not over-compensated to the extent that their independence may be compromised. Further, the NRC shall have the authority to consult experts (inside and/or outside the Manager) on the remuneration of all directors, if it considers necessary.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board continually strives to present a clear, balanced and understandable assessment of PLife REIT's financial position, performance and prospects primarily through the audited financial statements, annual report and quarterly announcements of results to the Unitholders through announcements via SGXNet, press releases, the PLife REIT's website and media and analyst briefings.

The management also provides the Board with complete and adequate information in a timely manner and on an on-going basis through regular updates on financial results, market trends and business developments.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board acknowledges that it is responsible for the overall internal control framework and the maintenance of a sound system of internal controls. The system includes, inter alia, enterprise risk management and internal auditing. However, the Board recognises that no cost effective internal control system and risk management will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

To ensure a robust risk management system is maintained, the Manager, with concurrence of the AC, has in place an Enterprise Risk Management ("**ERM**") framework and policies and ERM Committee which comprises senior management personnel of the Manager from the operational, financial and technical areas, to identifying and managing the risks that could arise in the course of managing PLife REIT. The responsibilities of the ERM Committee include the oversight of matters relating to the management of risks. The Manager has engaged an external risk consultant to facilitate the ERM process and to validate the sufficiency and adequacy of the internal controls put in place. Any material non-compliance and internal control weakness, together with the recommendations to address them, the mitigating controls or gaps (if any) are also presented to the AC and the Board accordingly.

The system of risk management is embedded in the internal control system of the Manager to address on-going changes and challenges and to reduce uncertainties to PLife REIT. The ERM Committee, assisted by the external risk consultant, will ensure the adequacy and efficiency of the internal controls. As such, the internal control system will also assist the Board and the AC in compliance with the CG Code and the Listing Manual. The AC and the Board will review the adequacy and efficiency of the risk management system and internal controls on an annual basis.

The internal control and risk management functions conducted by the auditors and the external risk consultant respectively are evaluated by the Manager's ERM Committee and executive director, and are reported to the AC for review. Based on the up-to-date evaluation of the controls by the auditors and the external risk consultant, the Chief Executive Officer and the Chief Financial Officer of the Manager have provided an assurance to the Board that the financial records of PLife REIT have been properly maintained and the financial statements give a true and fair view of the operations and finances of PLife REIT, and the Manager's internal controls and risk management systems are effective and adequate for the year under review.

Nonetheless, the AC will:

(a) satisfy itself, by such means as it shall consider appropriate, that adequate counter measures (i.e. mechanisms and processes, such as sound internal control systems) are in place to identify and mitigate any material business risks associated with the Manager and PLife REIT;

CORPORATE GOVERNANCE

(b) ensure that a review of the effectiveness and adequacy of the Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems, is conducted at least annually. Such review can be carried out by internal auditors, external auditors and/or the ERM Committee;

(c) ensure that the internal control recommendations made by internal auditors, external auditors and/or the ERM Committee have been implemented by the Manager; and

(d) ensure that the Board is in a position to comment on the adequacy of the internal controls of the Manager.

Taking into account the abovementioned evaluation of the controls by the auditors and the external risk consultant, the review by the Manager's ERM Committee and executive director, and the assurance received from the Chief Executive Officer and the Chief Financial Officer of the Manager, the Board in concurrence with the view of the AC, is of the opinion that taking into account the nature, scale and complexity of the Manager's operations, PLife REIT's financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2015.

AUDIT COMMITTEE

Principle 12: *The Board should establish an AC with written terms of reference which clearly set out its authority and duties.*

The AC comprises Mr. Tan Bong Lin (Chairman of the AC), Mr. Lim Kok Hoong and Mr. Puah Tuan Soon Benson, all of whom are independent non-executive directors. The members of the AC collectively have recent and relevant expertise or experience in financial management and are appropriately qualified to discharge their responsibilities.

The role of the AC is to monitor and evaluate the adequacy of the Manager's internal controls and the effectiveness of the Manager's internal audit function. The AC also reviews the fairness and accuracy of information prepared for inclusion in the financial reports and statements, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

In appointing the audit firms for the Group, the AC is satisfied that PLife REIT has complied with the Listing Rules 712 and 715 of the Listing Manual.

The AC has a set of terms of reference defining its scope of responsibility and authority, which includes the following:

(a) monitoring the procedures established to regulate related party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" and the provisions of the Property Funds Appendix relating to "interested party transactions";

(b) reviewing arrangements by which employees of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised, independently investigated, and for appropriate follow-up action to be taken;

(c) reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

(d) reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with;

(e) reviewing, on an annual basis, the internal audit function to ensure that is adequately resourced, is independent of the activities it audits, has appropriate standing within the Manager, is staffed with persons with the relevant qualifications and experience and has unfettered access to all documents, records, properties and personnel, including access to the AC;

(f) monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code including the Property Funds Appendix;

(g) reviewing the nature and extent of non-audit services performed by external auditors;

(h) reviewing the scope and results of the external audit and the independence and objectivity of the external auditors;

(i) meeting with external and internal auditors, without the presence of the executive director and key management personnel at least annually;

(j) examining the effectiveness of financial, operational, compliance and information technology controls at least annually;

(k) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of PLife REIT and any formal announcements relating to PLife REIT's financial performance;

(l) investigating any matters within the AC's terms of reference, whenever it deems necessary;

(m) reporting to the Board on material matters, findings and recommendations; and

(n) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors.

The AC has authority to investigate any matter within its terms of reference. It also has full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings.

The AC has conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. For FY2015, the aggregate amount of audit fees paid and payable by PLife REIT to the external auditors was S$433,000, comprising non-audit service fees of S$176,000 and audit service fees of S$257,000.

The AC meets with the external auditors, without the presence of management, at least once a year.

The AC is briefed regularly on the impact of the new accounting standards on PLife REIT's financial statements by the external auditors.

None of the members of the AC are former partners or directors of the Manager's and PLife REIT's external auditors.

INTERNAL AUDIT

Principle 13: *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Manager has put in place a system of internal controls of procedures, including financial, operational, compliance and information technology controls, and risk management systems to safeguard PLife REIT's assets, Unitholders' interests as well as to manage risk.

The internal audit function of the Manager is outsourced to an independent assurance service provider and the AC reviews the adequacy and effectiveness of the internal auditor at least once a year. The AC is satisfied that the internal auditor has the relevant qualifications and experience and has met the standards established by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor reports directly to the AC on audit matters and the AC approves the hiring, removal, evaluation and fees of the internal auditor. The AC also reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The AC meets with the internal auditor, without the presence of management, at least once a year. The AC is of the view that the internal auditor has adequate resources to perform its functions and has to the best of its ability, maintained its independence from the activities that it audits.

CORPORATE GOVERNANCE

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangement.*

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholder, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

Communication with Unitholders

The Listing Manual of the SGX-ST requires that a listed entity discloses to the market, among others, matters that would likely have a material effect on the price or value of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager's disclosure policy requires timely and full disclosure of all material information relating to PLife REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on PLife REIT's website at www.plifereit.com.

The investor relations function is headed by the Chief Executive Officer and the Chief Financial Officer of the Manager. The Manager conducts regular briefings for analysts and media representatives. During these briefings, the Manager will review PLife REIT's most recent performance as well as discuss the business outlook for PLife REIT. In line with the Manager's objective of transparent communication, briefing materials are released to the SGX-ST and also made available on PLife REIT's website.

It is the aim of the Board to provide the Unitholders with a balanced and comprehensive assessment of PLife REIT's performance, position and prospects. The Unitholders are encouraged to attend the annual general meeting ("**AGM**") of PLife REIT to ensure a high level of accountability and to stay informed of the strategies and goals of PLife REIT. The chairpersons of the AC and/or the NRC and external auditors should, where possible, also be present to assist the directors in addressing any relevant queries by Unitholders.

The notice of AGM is dispatched to the Unitholders in the manner set out in the Listing Manual. The Board welcomes questions from the Unitholders who have an opportunity to raise issues either informally or formally before or at the AGM.

Each item of special business included in the notice of AGM is accompanied, where appropriate, by an explanation for the proposed resolution and a proxy form with instructions on the appointment of proxies. Separate resolutions are prepared for substantially separate issues at the AGM. The resolutions approved in the AGM will be announced on or after the day AGM is held. Minutes of general meetings are also made available to Unitholders upon request.

As encouraged by SGX-ST and in support of the greater transparency of voting in AGM and good corporate governance, the Manager has employed electronic polling since the AGM held in 2012 whereby all resolutions are voted by poll and detailed results showing the number of votes cast for and against each resolution and the respective percentage are published at the meeting. Prior to voting at the AGM, the voting procedures will be made known to the Unitholders. The votes cast by each Unitholder are in direct proportion to their respective unitholdings in PLife REIT.

Please refer to page 108 of this Annual Report on the distribution policy and "Distribution Statements" on page 79 of this Annual Report for more details.

DEALINGS IN PLIFE REIT'S UNITS

The Trust Deed requires each director to give notice to the Manager of his acquisition of units or of changes in the number of units which he holds or in which he has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of units which he holds or in which he has an interest. This is in line with the requirements of the Section 137Y of the SFA (*relating to notification of unitholdings by directors and Chief Executive Officer of the Manager*). The Chief Executive Officer of the Manager is also required to give similar notice under the new section.

All dealings in units by the directors and the Chief Executive Officer will be announced via SGXNET, with the announcement to be posted on the SGX-ST website at http://www.sgx.com.

The directors and employees of the Manager are encouraged, as a matter of internal policy, to hold units but are prohibited from dealing in the units:

(a) in the period commencing one month before the public announcement of PLife REIT's annual results and (where applicable) property valuations and two weeks before the public announcement of PLife REIT's quarterly results, and ending on the date of announcement of the relevant results or as the case may be, property valuations; and

(b) at any time while in possession of unpublished price sensitive information.

The directors and employees of the Manager have been directed to refrain from dealing in units on short-term considerations.

In addition, the Manager has undertaken that it will not deal in the units during the period commencing one month before the public announcement of PLife REIT's annual results and (where applicable) property valuations and two weeks before the public announcement of PLife REIT's quarterly results, and ending on the date of announcement of the relevant results or as the case may be, property valuations.

Further, the Section 137ZC of the SFA (*relating to notification of unitholdings by responsible persons*) requires the Manager to, *inter alia*, announce via SGXNET the particulars of any acquisition or disposal of interest in PLife REIT's units by the Manager no later than the end of the business day following the day on which the Manager became aware of the acquisition or disposal.

RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

Effective risk management is a fundamental part of PLife REIT's business operations. Recognising and managing risk is central to the business and protecting Unitholders' interests and value. PLife REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risk involved. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly (or more often, if necessary) and will review the financial performance of the Manager and PLife REIT against a previously approved budget. The Board will also review the business risks of PLife REIT, examine liability management and will act upon any comments from the auditors of PLife REIT.

As a result of the licensing regime for managers of REITs under the SFA, the Manager, as a holder of a CMS Licence, has established internal procedures to ensure compliance with the relevant laws, regulations and guidelines relating to anti-money laundering and countering the financing of terrorism and has also adopted procedures to ensure that all material outsourcing comply with the MAS Guidelines on Outsourcing issued in October 2004 and last updated on 1 July 2005.

CORPORATE GOVERNANCE

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and PLife REIT. In assessing business risks, the Board will consider the economic environment and risks relevant to the property and healthcare industry. It reviews management reports and feasibility studies on investment risks prior to approving all investment decisions. The management meets regularly to review the operations of the Manager and discuss any disclosure issues.

WHISTLE-BLOWER PROTECTION POLICY

The Manager has established a whistle-blower policy which reflects the Manager's commitment to conduct its business within a framework that fosters the highest ethical and legal standards. In line with this commitment and PLife REIT's commitment to open communications, the whistle-blower policy aims to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith. The AC reviewed the whistle-blower policy which provides for mechanisms by which employees may, in confidence, raise their concerns about possible improprieties in financial reporting or other matters and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. The Chairman of the AC is the first contact for issues raised under this policy.

DEALINGS WITH CONFLICTS OF INTEREST

The Manager has instituted the following procedures to deal with potential conflicts of interest issues:

(a) The Manager will be a dedicated manager to PLife REIT and will not manage any other REIT which invests in the same type of properties as PLife REIT.

(b) All resolutions in writing of the Board in relation to matters concerning PLife REIT must be approved by a majority of the directors, including at least one independent director.

(c) At least one-third of the Board shall comprise independent directors.

(d) All related party transactions must be reviewed by the AC and approved by a majority of the AC. If a member of the AC has an interest in a transaction, he or she will abstain from voting.

(e) In respect of matters in which Parkway Holdings Limited, the sponsor of PLife REIT (the "**Sponsor**") and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interest will abstain from voting. In such matters, the quorum must comprise a majority of the independent directors and must exclude the nominee directors of the Sponsor and/or its subsidiaries.

(f) In respect of matters in which a director or his associates have an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Board and must exclude such interested director.

(g) Under the Trust Deed, the Manager and its associates are prohibited from being counted in a quorum for or voting at any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest. For so long as Parkway Trust Management Limited is the manager of PLife REIT, the controlling shareholders (as defined in the Listing Manual) of the Manager and their respective associates are prohibited from being counted in the quorum for or voting at any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of Parkway Trust Management Limited and/or their associates have a material interest.

(h) It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of PLife REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of PLife REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Board (including its independent directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of PLife REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

PLife REIT's properties are located in Singapore, Japan and Malaysia and its strategy is to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily 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. The Sponsor has interests in several healthcare and/or healthcare-related properties in the Asia-Pacific region such as those located in Malaysia. Potential conflicts of interest between the Sponsor and PLife REIT may arise in respect of acquisition and ownership of healthcare and/or healthcare-related assets in the Asia-Pacific region, including Singapore where PLife REIT's initial properties are located, and where PLife REIT's investment strategy is to invest in healthcare and/or healthcare-related properties located therein.

In order to mitigate any conflict of interest between the Sponsor and PLife REIT in the Asia-Pacific region, the AC will, during the course of its review of transactions to be entered into by PLife REIT in the future, take into account the expiry of the right of first refusal granted by the Sponsor, together with any other relevant factors that may arise during the assessment process and arrive at its view based on all relevant factors. The existing internal control systems on dealings with conflict of interest will be reviewed periodically to ascertain its effectiveness and suitability and further measures will be considered and implemented to fine-tune the internal control procedures to deal with potential conflicts of interest issues.

In addition, the nominee directors appointed by the Sponsor to the Board are committed not to disclose to the Sponsor information concerning offers to PLife REIT in respect of potential acquisition of new properties as well as offers made by PLife REIT in respect of the potential acquisition of new properties, save for properties which the nominee directors are in a position to confirm that the Sponsor has no intention of acquiring.

The Manager has also established a conflict of interest policy for its employees to ensure that any conflict of interest or potential conflicts of interest are disclosed and approvals are sought where required.

RELATED PARTY TRANSACTIONS

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future related party transactions (which term includes an "interested person transaction" as defined under the Listing Manual and an "interested party transaction" under the Property Funds Appendix) will be undertaken on normal commercial terms and will not be prejudicial to the interests of PLife REIT or the Unitholders. As a general rule, the Manager must demonstrate to the AC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professionals valuers (in accordance with the Property Funds Appendix).

CORPORATE GOVERNANCE

The Manager maintains a register to record all related party transactions which are entered into by PLife REIT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered. The Manager also incorporates into its internal audit plan a review of all related party transactions entered into by PLife REIT. The AC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with. In addition, the Trustee will also have the right to review such audit report to ascertain that the Property Funds Appendix have been complied with.

Further, the following procedures will be undertaken:

– transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of PLife REIT's net tangible assets will be subject to review by the AC at regular intervals;

– transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of PLife REIT's net tangible assets will be subject to the review and prior approval of the AC. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and

– transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of PLife REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the AC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning PLife REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of PLife REIT with a related party of the Manager or PLife REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interests of PLife REIT or the Unitholders, and in accordance with all applicable requirements under the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or PLife REIT. If the Trustee is to sign any contract with a related party of the Manager or PLife REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Appendix (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

PLife REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of PLife REIT's latest audited net tangible assets.

The Manager also discloses in the Annual Report the aggregate value of the related party transactions entered during the relevant financial year as required under the Listing Manual and the Property Funds Appendix. See page 144 of this Annual Report for the disclosure.

Role of the Audit Committee for Related Party Transactions

All related party transactions must be reviewed by the AC and approved by a majority of the AC to ensure compliance with the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Appendix. The review will include the examination of the nature of the transactions and its supporting documents or such other data deemed necessary to the AC.

CORPORATE GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has the Company complied?[1]
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) Please refer to the disclosures in this table for specific deviations from the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) As Parkway Life Real Estate Investment Trust ("PLife REIT") is externally managed by the Manger which is not a listed entity, alternative corporate governance practices is adopted to the extent applicable to the Manager.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Yes, please refer to the disclosure in page 50 of the Corporate Governance Statement ("CG Statement").
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) Yes, please refer to the disclosure in page 51 of the CG Statement.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) Yes, please refer to the disclosure in page 52 of the CG Statement.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	(c) Yes, please refer to the disclosure in page 52 of the CG Statement.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Yes, please refer to the disclosure in page 53 of the CG Statement.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	(a)&(b)(i) Yes, please refer to the disclosure in page 53 of the CG Statement.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(b)(ii) Yes, please refer to the disclosure in page 51 of the CG Statement.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	(a) Yes, please refer to the disclosure in page 53 of the CG Statement.
	(b) If a maximum number has not been determined, what are the reasons?	(b) Not applicable. Please see response to Guideline 4.4(a) above.
	(c) What are the specific considerations in deciding on the capacity of directors?	(c) Yes, please refer to the disclosure in page 53 of the CG Statement.

[1] Responses should be clear and concise to enable the shareholders to better understand the Company's corporate governance arrangements

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?[1]
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	Yes, please refer to the disclosure in page 53 of the CG Statement.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes, please refer to the disclosure in page 52 of the CG Statement.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable as there is no such director.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes, please refer to the disclosure in page 52 of the CG Statement.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Please refer to the disclosure in page 55 of the CG Statement.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Please refer to the disclosure in page 55 of the CG Statement.

[1] Responses should be clear and concise to enable the shareholders to better understand the Company's corporate governance arrangements

Guideline	Questions	How has the Company complied?[1]
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Yes, please refer to the disclosure in page 56 of the CG Statement.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	Yes, please refer to the disclosure in page 54 of the CG Statement.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Yes, please refer to the disclosure in page 51 of the CG Statement.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes, please refer to the disclosure in page 59 of the CG Statement.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, please refer to the disclosure in page 57 and 58 of the CG Statement.

[1] Responses should be clear and concise to enable the shareholders to better understand the Company's corporate governance arrangements

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?[1]
Risk Management and Internal Controls		
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Yes, please refer to the disclosure in page 59 of the CG Statement.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Yes, please refer to the disclosure in page 60 of the CG Statement.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	This is not applicable. Please refer to the Distribution Statement on page 79 of the Annual Report.

[1] Responses should be clear and concise to enable the shareholders to better understand the Company's corporate governance arrangements

DISCLOSURE ON FEES

FEES PAYABLE BY PLIFE REIT

The trust deed constituting PLife REIT dated 12 July 2007 (as amended, the "**Trust Deed**") are binding on each Unitholder of PLife REIT ("**Unitholder**") (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed, and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require Parkway Trust Management Limited (the "**Manager**") and/or HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**") to do.

The Manager has covenanted in the Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner, ensure that PLife REIT is carried on and conducted in a proper and efficient manner, and to conduct all transactions with or for PLife REIT at arm's length and on normal commercial terms.

Under Clauses 15.1, 15.3, 15.4, 15.5 and 15.6 of the Trust Deed, the Manager is entitled to the following fees in return for its services:

	Fees payable by PLife REIT	Amount payable to the Manager
1	Management fee	<u>Base Fee</u> 0.3% per annum of the value of all the assets of PLife REIT, including all its authorised investments for the time being held or deemed to be held upon the trusts of the Trust Deed ("**Deposited Property**"). <u>Performance Fee</u> 4.5% per annum of the net property income of PLife REIT for that financial year. Subject to the guidelines for real estate investment trusts issued by the Monetary Authority of Singapore as Appendix 6 ("**Property Funds Appendix**") to the Code on Collective Investment Schemes ("**CIS Code**"), the Base Fee and Performance Fee shall be paid to the Manager in the form of cash and/or Units (as the Manager may elect prior to each payment) out of the Deposited Property and in such proportion as may be determined by the Manager. If in the form of Units, the Manager shall be entitled to receive such number of units as may be purchased with the relevant amount of the management fee attributable to the relevant period at an issue price set out in accordance with the Trust Deed.
2	Fee for acquisition of properties	<u>Acquisition Fee</u> 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by PLife REIT, pro-rated, if applicable, to the proportion of PLife REIT's interest. For this purpose, where the assets acquired by PLife REIT are shares in a special purpose vehicle whose primary purpose is to hold/own real estate (directly or indirectly), "**Enterprise Value**" shall mean the sum of the equity value and the total net debt attributable to the shares being acquired by PLife REIT and where the asset acquired by PLife REIT is a real estate, "**Enterprise Value**" shall mean the value of the real estate. In the event that there is payment to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property.

DISCLOSURE ON FEES

	Fees payable by PLife REIT	Amount payable to the Manager
2	Fee for acquisition of properties (continued)	Unless required under the Property Funds Appendix to be paid in the form of Units only, the Manager may opt to receive such Acquisition Fee in the form of cash or Units or a combination of cash and Units as it may determine. Units representing the Acquisition Fee or any part thereof will be issued at an issue price on a similar basis as that for the management fee. In the event the Manager receives Acquisition Fee in connection with a transaction with a related party, any such Acquisition Fee shall be paid in the form of Units.
3	Fee for divestment of properties	Divestment Fee 0.5% of the Enterprise Value of any real estate or real estate related asset sold or divested directly or indirectly by PLife REIT, pro-rated, if applicable, to the proportion of PLife REIT's interest. Unless required under the Property Funds Appendix to be paid in the form of Units only, the Manager may opt to receive such Divestment Fee in the form of cash or Units or a combination of cash and Units as it may determine. Units representing the Divestment Fee or any part thereof will be issued at an issue price on a similar basis as that for the management fee. Any payment to third party agents or brokers in connection with the divestment of any real estate or real estate related assets of PLife REIT shall be paid by PLife REIT. In the event the Manager receives Divestment Fee in connection with a transaction with a related party, any such Divestment Fee shall be paid in the form of Units.
4	Fee for lease management	Lease Management Fee 1.0% per annum of the revenue of the real estate held directly or indirectly by PLife REIT and managed by the Manager (excluding the Hospital Properties for the duration of the master lease arrangements). "**Hospital Properties**" shall mean the three private hospitals in Singapore owned by PLife REIT, comprising The Mount Elizabeth Hospital Property, The Gleneagles Hospital Property and The Parkway East Hospital Property. For the avoidance of doubt, no Lease Management Fee shall be payable to the Manager in respect of the Hospital Properties for the duration of the master lease agreements.
5	Fee for marketing services	Marketing Services Commission (i) One month's gross rent inclusive of service charge, for securing a lease of three years or less; (ii) Two months' gross rent inclusive of service charge, for securing a lease of more than three years; (iii) Half month's gross rent inclusive of service charge, for securing a renewal of lease of three years or less; and (iv) One month's gross rent inclusive of service charge, for securing a renewal of lease of more than three years.

	Fees payable by PLife REIT	Amount payable to the Manager
5	Fee for marketing services (continued)	If a third party agent secures a lease, the Manager will be responsible for any marketing services commission payable to such third party agent, and the Manager will be entitled to a marketing services commission of: (i) 1.2 months' gross rent inclusive of service charge for securing or renewal of a lease of three years or less; and (ii) 2.4 months' gross rent inclusive of service charge for securing or renewal of a lease of more than three years. The marketing services commission may be adjusted accordingly at the time of securing or renewal of a lease by the Manager or a third party agent, to be consistent with and no higher than the prevailing market rates of such marketing services commission in the country where the real estate is located.
6	Fee for property management	Property Management Fee 2.0% per annum of the revenue of the real estate held directly or indirectly by PLife REIT and managed by the Manager (excluding the Hospital Properties for the duration of the master lease agreements). For the avoidance of doubt, no Property Management Fee shall be payable to the Manager in respect of the Hospital Properties for the duration of the master lease agreements.

The Manager is of the view that the fee structure of PLife REIT promotes alignment of interests between the Manager and the long-term interests of Unitholders. The rationale for each fee component is elaborated upon below:

Base Fee

As an external manager, the Manager manages the assets and liabilities of PLife REIT for the benefit of its Unitholders and should be fairly compensated for conducting the overall management of PLife REIT's various affairs, which includes, among others, formulation of business plans, execution of PLife REIT's strategies, performing data analytics, monitoring operating costs, evaluating asset enhancement initiatives and investment opportunities. Another key responsibility is ensuring that PLife REIT complies with the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**") and all other relevant laws and regulations, such as the listing manual of Singapore Exchange Securities Trading Limited ("**Listing Manual**"), the CIS Code (including the Property Funds Appendix), the Trust Deed, the tax ruling issued by Inland Revenue Authority of Singapore on the taxation of PLife REIT and its Unitholders and all relevant contracts entered on behalf of PLife REIT. The Base Fee compensates the Manager for establishing a core team of representatives who are appointed in accordance with the SFA to execute its responsibilities as manager of a real estate investment trust.

The Base Fee is linked to the value of all the assets of PLife REIT as the complexity and scope of work is commensurate to the size of PLife REIT's portfolio. In the event that the portfolio of PLife REIT grows, the degree and complexity of the Manager's responsibilities will correspondingly increase and the Manager has to be amply remunerated. This ensures that the Manager is able to dedicate its efforts to the growth of PLife REIT.

Performance Fees

With effect from 1 January 2016, the Performance Fee in respect of every calendar year shall be paid in arrears, no more frequent than once a year. The Performance Fee structure of PLife REIT will incentivise the Manager to seek continuous growth opportunities and encourage the Manager to act in the interests of Unitholders by increasing the rental income generated from the real estate held directly or indirectly by PLife REIT (the "**Properties of PLife REIT**") while reducing property level expenses. Accordingly, the Performance Fee incentivises the Manager to take a holistic and double-pronged approach towards the management of PLife REIT to improve the operating performance of PLife REIT so that the Manager may, together with Unitholders, enjoy a higher net property income.

DISCLOSURE ON FEES

Acquisition Fee and Divestment Fee

The Acquisition Fee and Divestment Fee are structured in order to incentivise the Manager to source for inorganic growth, as well as to realise mature assets where suitable in the interests of Unitholders, in accordance with the acquisition growth and active asset management strategies of PLife REIT. Bearing in mind that the Manager has to undertake an extensive scope of work over and above the overall management of PLife REIT when undertaking acquisition or divestment opportunities (including but not limited to compliance with the applicable laws, rules and regulations relating to the acquisition or divestment, exploring shortlisting and monitoring investment opportunities, conduct of due diligence, evaluation and in depth assessment of the acquisition or divestment opportunity, negotiations with counterparties, conduct of board meetings and as the case may be, preparation of circulars and announcements), the Manager should be compensated fairly to reflect the effort expended and the costs incurred during such undertakings. It should be noted that the Acquisition Fee and Divestment Fee are only payable where the acquisition or divestment has been successfully completed.

Lease Management Fee

The Manager is entitled to lease management fee for provision of lease management services to the Properties of PLife REIT (excluding the Hospital Properties for the duration of the master lease agreements) which includes coordinating tenant's fitting-out requirements, administration of rental collection, management of rental arrears and administration of all property tax matters. In consideration for the provision of such lease management services, the Manager should be entitled to fair remuneration. For avoidance of doubt, the Manager does not earn any lease management fee for the Properties of PLife REIT located in Japan whereby the related services are carried out by the Japan asset managers under the *Tokumei Kumiai* (**"TK"**) structure. The Manager has also excluded the Hospital Properties for the duration of the master lease agreements to avoid any double counting of fees.

Marketing Services Commission

The Marketing Services Commission is structured to incentivise the Manager to secure longer term leases which in turn provides stability in the income stream of PLife REIT. Accordingly, the Manager is entitled to a higher commission where the term of the lease is longer than three years. Higher commissions are payable for securing leases with new tenants as compared to renewals of existing leases due to the increased effort which has to be expended by the Manager to market, source for, attract and negotiate with new tenants. The Marketing Services Commission payable to the Manager if a third party agent secures a lease is higher to take into account the Manager's expenses as the Manager is responsible for paying such third party agent. The Manager has to liaise, instruct and oversee the marketing activities of such third party agent and should be fairly compensated for its efforts. The Marketing Services Commission will serve to ensure that the Manager secures leases in the interests of PLife REIT and Unitholders.

Property Management Fee

The Manager is entitled to the property management fee for provision of property management services to the Properties of PLife REIT (excluding the Hospital Properties for the duration of the master lease agreements). Generally, when providing property management services, the Manager has to ensure compliance with the local regulations, manage relations with many counterparties, and constantly review and assess the Properties of PLife REIT to ensure that there is minimal disruption to existing operations. The Manager has to co-ordinate and plan to manage the Properties of PLife REIT and also ensure that Properties of PLife REIT are well-managed so as to maximise returns for Unitholders.

In return for providing property management services which are beyond the ordinary scope of the Manager's overall management services, the Manager should be compensated fairly for its expertise. In addition, the Property Management Fee has been structured so that the Manager is incentivised to improve the performance of the Properties of PLife REIT managed by the Manager as these fees are pegged to the gross revenue of the real estate. For avoidance of doubt, the Manager does not earn any property management fee for the Properties of PLife REIT located in Japan whereby the related services are carried out by the Japan asset managers under the TK structure. The Manager has also excluded the Hospital Properties for the duration of the master lease agreements to avoid any double counting of fees.

CONTENTS

REPORT OF THE TRUSTEE

Year ended 31 December 2015

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Parkway Life Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act (Cap. 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Scheme, the Trustee shall monitor the activities of Parkway Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 12 July 2007 (as amended by the First Supplemental Deed dated 12 November 2009, the Second Supplemental Deed dated 30 March 2010) (the "Trust Deed"), between the Trustee and the Manager in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages 77 to 143, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited

Esther Fong
Senior Vice President, Trustee Services

21 March 2016

STATEMENT BY THE MANAGER

Year ended 31 December 2015

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages 77 to 143 comprising the statements of financial position, statements of total return, distribution statements, statements of movements in Unitholders' funds and portfolio statements of the Group and of the Trust, cash flow statement of the Group and a summary of significant accounting policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and the portfolio of Parkway Life Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") and of the Trust as at 31 December 2015, the total returns, distributable income, movements in Unitholders' funds of the Group and the Trust and cash flows of the Group for the year then ended in accordance with the *recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants* and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Parkway Trust Management Limited

Yong Yean Chau
Director

21 March 2016

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2015

Unitholders
Parkway Life Real Estate Investment Trust
(Constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Parkway Life Real Estate Investment Trust (the Trust) and its subsidiaries (the Group), which comprise the statements of financial position and portfolio statements of the Group and the Trust as at 31 December 2015, and the statements of total return, distribution statements and statements of movements in unitholders' funds of the Group and of the Trust and statements of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 77 to 143.

MANAGER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Parkway Trust Management Limited, the Manager of the Trust is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *"Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants*, and for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of the Trust, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the financial statements of the Trust present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2015, and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the *recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.*

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Non-current assets					
Investment properties	4	**1,635,308**	1,500,610	**1,037,400**	1,053,600
Interests in subsidiaries	5	**–**	–	**557,907**	587,718
Security deposits receivable		**706**	662	**–**	–
Financial derivatives	6	**2,647**	10,515	**2,647**	10,515
		1,638,661	1,511,787	**1,597,954**	1,651,833
Current assets					
Financial derivatives	6	**–**	398	**–**	398
Trade and other receivables	7	**10,385**	10,360	**9,398**	29,606
Cash and cash equivalents	8	**20,358**	146,406	**427**	889
		30,743	157,164	**9,825**	30,893
Total assets		**1,669,404**	1,668,951	**1,607,779**	1,682,726
Current liabilities					
Financial derivatives	6	**–**	193	**–**	193
Trade and other payables	9	**15,729**	21,477	**9,191**	9,258
Current portion of security deposits		**1,724**	1,064	**3**	–
Loans and borrowings	10	**1,000**	80,864	**1,000**	80,864
Provision for taxation		**1**	1	**–**	–
		18,454	103,599	**10,194**	90,315
Non-current liabilities					
Financial derivatives	6	**3,457**	2,436	**3,457**	2,436
Non-current portion of security deposits		**18,368**	12,447	**–**	36
Loans and borrowings	10	**586,188**	503,347	**586,188**	503,347
Deferred tax liabilities	11	**19,750**	11,773	**–**	–
		627,763	530,003	**589,645**	505,819
Total liabilities		**646,217**	633,602	**599,839**	596,134
Net assets		**1,023,187**	1,035,349	**1,007,940**	1,086,592
Represented by:					
Unitholders' funds	12	**1,023,187**	1,035,349	**1,007,940**	1,086,592
Units in issue ('000)	13	**605,002**	605,002	**605,002**	605,002
Net asset value per unit ($)		**1.69**	1.71	**1.67**	1.80

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Gross revenue	14	**102,694**	100,382	**74,840**	79,496
Property expenses	15	**(6,697)**	(6,607)	**(3,118)**	(3,118)
Net property income		**95,997**	93,775	**71,722**	76,378
Management fees	16	**(10,412)**	(10,051)	**(9,294)**	(9,389)
Trust expenses	17	**(2,633)**	(2,736)	**(1,866)**	(2,177)
Interest income		**11**	6	**3**	–
Finance costs	18	**(8,778)**	(8,255)	**(8,778)**	(8,255)
Foreign exchange gain/(loss), net		**3,092**	2,313	**(22,755)**	36,153
		(18,720)	(18,723)	**(42,690)**	16,332
Total return before changes in fair value of financial derivatives and investment properties		**77,277**	75,052	**29,032**	92,710
Net change in fair value of financial derivatives		**(4,084)**	36	**(10,235)**	4,692
Net change in fair value of investment properties	4	**5,734**	45,051	**(21,029)**	28,602
Gain on disposal of investment properties	19	**–**	13,674	**–**	–
Total return/(loss) before income tax		**78,927**	133,813	**(2,232)**	126,004
Income tax expense	20	**(11,939)**	(12,707)	**–**	–
Total return/(loss) for the year		**66,988**	121,106	**(2,232)**	126,004
Earnings per unit (cents)					
Basic and diluted	21	**11.07**	20.02	**(0.37)**	20.83

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

Year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Amount available for distribution to Unitholders at beginning of the year		**17,595**	17,109	**17,595**	17,109
Total return for the year		**66,988**	121,106	**(2,232)**	126,004
Distribution adjustments	A	**7,250**	(48,408)	**85,597**	(53,306)
Rollover adjustment		**37**	–	**20**	–
Distribution of divestment gains		**9,110**	–	**–**	–
Amount retained for capital expenditure		**(3,000)**	(3,000)	**(3,000)**	(3,000)
Income for the year available for distribution to Unitholders	B	**80,385**	69,698	**80,385**	69,698
Amount available for distribution to Unitholders		**97,980**	86,807	**97,980**	86,807
Distributions to Unitholders during the year:					
– Distribution of 2.82 cents per unit for period from 1 October 2013 to 31 December 2013		**–**	17,061	**–**	17,061
– Distribution of 2.82 cents per unit for period from 1 January 2014 to 31 March 2014		**–**	17,061	**–**	17,061
– Distribution of 2.90 cents per unit for period from 1 April 2014 to 30 June 2014		**–**	17,545	**–**	17,545
– Distribution of 2.90 cents per unit for period from 1 July 2014 to 30 September 2014		**–**	17,545	**–**	17,545
– Distribution of 2.90 cents per unit for period from 1 October 2014 to 31 December 2014		**17,545**	–	**17,545**	–
– Distribution of 3.21 cents per unit for period from 1 January 2015 to 31 March 2015		**19,420**	–	**19,420**	–
– Distribution of 3.35 cents per unit for period from 1 April 2015 to 30 June 2015		**20,268**	–	**20,268**	–
– Distribution of 3.36 cents per unit for period from 1 July 2015 to 30 September 2015		**20,328**	–	**20,328**	–
		77,561	69,212	**77,561**	69,212
Amount available for distribution to Unitholders at end of the year		**20,419**	17,595	**20,419**	17,595

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

Year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Amount available for distribution to Unitholders at end of the year		**20,419**	17,595	**20,419**	17,595
Number of units entitled to distribution ('000)	13	**605,002**	605,002	**605,002**	605,002
Distribution per unit (cents)		**3.37**	2.90	**3.37**	2.90

Note A – Distribution adjustments comprise:

	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Non-tax deductible/(non-taxable) items:				
Trustee's fees	**290**	280	**290**	280
Amortisation of transaction costs relating to debt facilities	**867**	897	**867**	897
Net overseas income not distributed to the Trust	**–**	–	**27,240**	11,983
Foreign exchange (gain)/loss, net	**(395)**	222	**25,453**	(33,615)
Others	**483**	443	**483**	443
Net change in fair value of financial derivatives	**4,084**	(36)	**10,235**	(4,692)
Net change in fair value of investment properties (net of deferred tax liabilities)	**1,718**	(41,616)	**21,029**	(28,602)
Gain on disposal of investment properties (net of withholding tax)	**203**	(8,598)	**–**	–
Net effect of distribution adjustments	**7,250**	(48,408)	**85,597**	(53,306)

Note B – Income for the year available for distribution to Unitholders

	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Unitholders' distributions:				
– from operations	**60,831**	61,316	**60,831**	61,316
– from Unitholders' contributions	**19,554**	8,382	**19,554**	8,382
Total Unitholders' distributions	**80,385**	69,698	**80,385**	69,698

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2015

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Unitholders' funds at beginning of year	**1,035,349**	985,798	**1,086,592**	1,030,760
Operations				
Total return for the year	**66,988**	121,106	**(2,232)**	126,004
Unitholders' transactions				
Distribution to Unitholders	**(77,561)**	(69,212)	**(77,561)**	(69,212)
Total increase in Unitholders' funds before movement in other reserves	**(10,573)**	51,894	**(79,793)**	56,792
Other reserves				
Net movement in hedging reserve	**1,141**	(960)	**1,141**	(960)
Exchange differences on hedges on net investments in foreign entities	**(58,422)**	38,405	**–**	–
Translation difference arising on consolidation of foreign entities	**55,692**	(39,788)	**–**	–
Net increase in other reserves	**(1,589)**	(2,343)	**1,141**	(960)
Unitholders' funds at end of year	**1,023,187**	1,035,349	**1,007,940**	1,086,592

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Singapore				
The Mount Elizabeth Hospital Property (1)	Leasehold	67	59	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property (1)	Leasehold	75	67	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property (1)	Leasehold	75	67	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990
Japan				
P-Life Matsudo (2)	Freehold	N.A.	N.A.	357 Matsuhidai, Matsudo City, Chiba Prefecture, Japan
Bon Sejour Shin-Yamashita (2)	Freehold	N.A.	N.A.	2-12-55 Shin Yamashita, Naka-Ku, Yokohama City, Kanagawa Prefecture, Japan
Bon Sejour Ibaraki (2)	Leasehold	50	42	25-2, Nishi-Toyokawacho, Ibaraki City, Osaka Prefecture, Japan
Palmary Inn Akashi (2)	Freehold	N.A.	N.A.	486, Yagi, Okubo-cho, Akashi City, Hyogo Prefecture, Japan
Palmary Inn Suma (2)	Freehold	N.A.	N.A.	1-5-23, Chimori-cho, Suma-ku, Kobe City, Hyogo Prefecture, Japan
Senior Chonaikai Makuhari Kan (2)	Freehold	N.A.	N.A.	5-370-4, Makuhari-cho, Hanamigawa-ku, Chiba City, Chiba Prefecture, Japan
Balance carried forward				

PORTFOLIO STATEMENTS

As at 31 December 2015

Existing use	At Valuation 31/12/2015 $'000	At Valuation 31/12/2014 $'000	Percentage of Net Assets 31/12/2015 %	Percentage of Net Assets 31/12/2014 %
Hospital and medical centre	653,000	664,000	63.8	64.1
Hospital and medical centre	333,000	338,000	32.5	32.6
Hospital and medical centre	51,400	51,600	5.0	5.0
	1,037,400	1,053,600	101.3	101.7
Pharmaceutical product distributing and manufacturing facility	37,044	33,562	3.6	3.2
Nursing home with care service	18,228	15,898	1.8	1.5
Nursing home with care service	13,900	12,254	1.4	1.2
Nursing home with care service	20,345	17,885	2.0	1.7
Nursing home with care service	11,760	10,378	1.1	1.0
Nursing home with care service	20,698	18,106	2.0	1.8
	121,975	108,083	11.9	10.4

PORTFOLIO STATEMENTS

As at 31 December 2015

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Smiling Home Medis Musashi Urawa (2)	Freehold	N.A.	N.A.	5-5-6, Shikatebukuro, Minami-ku, Saitama City, Saitama Prefecture, Japan
Smiling Home Medis Koshigaya Gamo (2)	Freehold	N.A.	N.A.	2-2-5, Gamo-nishimachi, Koshigaya City, Saitama Prefecture, Japan
Amille Nakasyo (2)	Freehold	N.A.	N.A.	923-1, Aza Miyata, Hirata, Kurashiki City, Okayama, Japan
Maison des Centenaire Ishizugawa (2)	Freehold	N.A.	N.A.	2-1-9, Hamederaishizucho-Nishi, Nishi-Ku, Sakai City, Osaka, Japan
Maison des Centenaire Haruki (2)	Freehold	N.A.	N.A.	12-20, Haruki-Miyakawacho, Kishiwada City, Osaka, Japan
Hapine Fukuoka Noke (2)	Freehold	N.A.	N.A.	4-35-9, Noke, Sawara-ku, Fukuoka City, Fukuoka, Japan
Fiore Senior Residence Hirakata (2)	Freehold	N.A.	N.A.	4-10, Higashikori-Shinmachi, Hirakata City, Osaka, Japan
Iyashi no Takatsuki Kan (2)	Freehold	N.A.	N.A.	3-19, Haccho-Nishimachi, Takatsuki City, Osaka, Japan
Sawayaka Obatake Ichibankan (2)	Freehold	N.A.	N.A.	3-3-51, Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka, Japan
Sawayaka Sakurakan (2)	Freehold	N.A.	N.A.	126-2, Nakadomari, Nishi-nagano, Kakunodate-machi, Senboku City, Akita, Japan
Sawayaka Nogatakan (2)	Freehold	N.A.	N.A.	442-1, Yamabe-Oaza, Nogata City, Fukuoka, Japan
Balance carried forward				

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

Existing use	At Valuation 31/12/2015 $'000	At Valuation 31/12/2014 $'000	Percentage of Net Assets 31/12/2015 %	Percentage of Net Assets 31/12/2014 %
	121,975	108,083	11.9	10.4
Nursing home with care service	9,090	7,949	0.9	0.8
Nursing home with care service	18,698	16,339	1.8	1.6
Nursing home with care service	8,161	7,198	0.8	0.7
Nursing home with care service	10,666	9,274	1.0	0.9
Nursing home with care service	8,056	7,043	0.8	0.7
Nursing home with care service	10,431	9,406	1.0	0.9
Nursing home with care service	6,150	5,321	0.6	0.5
Nursing home with care service	19,134	17,112	1.9	1.7
Nursing home with care service	9,349	8,170	0.9	0.8
Nursing home with care service	9,843	8,677	1.0	0.8
Nursing home with care service	8,914	7,816	0.9	0.8
	240,467	212,388	23.5	20.6

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Sawayaka Shinmojikan (2)	Freehold	N.A.	N.A.	1543-1, O-aza Hata, Moji-ku, Kita-kyushu City, Fukuoka, Japan
Sawayaka Obatake Nibankan (2)	Freehold	N.A.	N.A.	1-6-26, Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka, Japan
Sawayaka Fukufukukan (2)	Freehold	N.A.	N.A.	1-24-4, Fukuyanagi, Tobata-ku, Kita-kyushu City, Fukuoka, Japan
As Heim Nakaurawa (2)	Freehold	N.A.	N.A.	2-21-9, Nishibori, Sakura-ku, Saitama, Japan
Fureai no Sono Musashi Nakahara (2)	Freehold	N.A.	N.A.	5-14-25, Shimo Kotanaka Nakahara-ku, Kawasaki, Kanagawa, Japan
Legato Higashi-Sumiyoshi (2)	Freehold	N.A.	N.A.	1-7-30, Kuwazu Higashisumiyoshi-ku, Osaka, Japan
Royal Residence Gotenyama (2)	Freehold	N.A.	N.A.	16-4, Gotenyamacho, Hirakata City, Osaka, Japan
Legato Katano (2)	Freehold	N.A.	N.A.	2-5-2, Kisabe, Katano City, Osaka Japan
Sawayaka Higashikagurakan (2)	Freehold	N.A.	N.A.	2-351-4, Kitaichijo Higashi, Higashikagura-cho Kamikawa-gun, Hokkaido Prefecture, Japan
Happy Life Toyonaka (2)	Freehold	N.A.	N.A.	15-14, Kozushima 2-chome, Toyonaka City, Osaka Prefecture, Japan
Palmary Inn Shin-Kobe (2)	Freehold	N.A.	N.A.	13-7, Kanocho 2-chome, Chuo-ku, Kobe City, Hyogo Prefecture, Japan
Balance carried forward				

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

Existing use	At Valuation 31/12/2015 $'000	At Valuation 31/12/2014 $'000	Percentage of Net Assets 31/12/2015 %	Percentage of Net Assets 31/12/2014 %
	240,467	212,388	23.5	20.6
Nursing home with care service	11,760	10,311	1.1	1.0
Short stay/Day care home	4,422	3,864	0.4	0.4
Nursing home with care service	8,408	7,342	0.8	0.7
Nursing home with care service	13,406	11,813	1.3	1.1
Nursing home with care service	10,655	9,351	1.0	0.9
Nursing home with care service	12,936	11,371	1.3	1.1
Nursing home with care service	6,680	5,895	0.7	0.6
Nursing home with care service	8,114	7,176	0.8	0.7
Nursing home with care service	11,595	10,477	1.1	1.0
Nursing home with care service	6,045	5,277	0.6	0.5
Nursing home with care service	18,346	16,008	1.8	1.6
	352,834	311,273	34.4	30.2

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Sawayaka Seaside Toba (2)	Freehold	N.A.	N.A.	300-73, Aza Hamabe, Ohamacho Toba City, Mie Prefecture, Japan
Sawayaka Niihamakan (2)	Freehold	N.A.	N.A.	Otsu 11-77, Higashida 3-chome, Niihama City, Ehime Prefecture, Japan
Sawayaka Mekari Nibankan (2)	Freehold	N.A.	N.A.	2720-2, Okubo 1-chome, Mojiku, Kitakyushushi City, Fukuoka Prefecture, Japan
Sawayaka Kiyotakan (2)	Freehold	N.A.	N.A.	16-7, Kiyota 3-chome, Yahatahigashi-ku, Kitakyushushi, Fukuoka Prefecture, Japan
Sawayaka Minatokan (2)	Freehold	N.A.	N.A.	5155-3, Jyusanbancho, Furumachidori, Chuo-ku, Niigata City, Niigata Prefecture, Japan
Maison des Centenaire Hannan (2)	Freehold	N.A.	N.A.	8-423-29, Momonokidai, Hannan City, Osaka Prefecture, Japan
Maison des Centenaire Ohhama (2)	Freehold	N.A.	N.A.	3-11-18, Ohhama KitamachiSakai-Ku, Sakai City, Osaka Prefecture, Japan
Sunhill Miyako (2)	Freehold	N.A.	N.A.	8-423-30, Momonokidai, Hannan City, Osaka Prefecture, Japan
Habitation Jyosui (2)	Freehold	N.A.	N.A.	4-1-26, Yakuin, Chuo-ku Fukuoka City, Fukuoka Prefecture, Japan
Ocean View Shonan Arasaki (3)	Freehold	N.A.	N.A.	5-25-1, Nagai, Yokosuka City, Kanagawa Prefecture, Japan
Habitation Hakata I, II and III (4)	Freehold	N.A.	N.A.	23-10, Kanenokuma 3-chome w-ku, Fukuoka City, Fukuoka Prefecture, Japan
Balance carried forward				

PORTFOLIO STATEMENTS

As at 31 December 2015

Existing use	At Valuation 31/12/2015 $'000	At Valuation 31/12/2014 $'000	Percentage of Net Assets 31/12/2015 %	Percentage of Net Assets 31/12/2014 %
	352,834	311,273	34.4	30.2
Nursing home with care service	17,405	15,920	1.7	1.5
Nursing home with care service	17,170	15,036	1.7	1.5
Nursing home with care service	3,951	3,544	0.4	0.3
Nursing home with care service	10,678	9,583	1.0	0.9
Nursing home with care service	8,303	7,551	0.8	0.7
Nursing home with care service	21,756	19,761	2.1	1.9
Nursing home with care service	8,491	7,496	0.8	0.7
Extended stay lodging facility	10,313	9,439	1.0	0.9
Nursing home with care service	43,042	39,082	4.2	3.8
Nursing home with care service	22,932	–	2.2	–
Nursing home with care service	44,335	–	4.3	–
	561,210	438,685	54.6	42.4

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Excellent Tenpaku Garden Hills (4)	Freehold	N.A.	N.A.	141-3, Tsuchihara 2-chome, Tenpaku-ku, Nagoya City, Aichi Prefecture, Japan
Liverari Shiroishi Hana Ichigo-kan (4)	Freehold	N.A.	N.A.	1-18, Kitago 3jyo, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan
Liverari Shiroishi Hana Nigo-kan (4)	Freehold	N.A.	N.A.	5-10, Kitago 2jyo 5-chome, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan
Liverari Misono (4)	Freehold	N.A.	N.A.	4-24, Misono 7jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan
Malaysia				
Gleneagles Intan Medical Centre, Kuala Lumpur (5)	Freehold	N.A.	N.A.	282, Jalan Ampang 50450 Kuala Lumpur, Malaysia
Investment properties, at valuation				
Other assets and liabilities (net)				
Net assets				
Trust				
Singapore				
The Mount Elizabeth Hospital Property (1)	Leasehold	67	59	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property (1)	Leasehold	75	67	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property (1)	Leasehold	75	67	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990
Investment properties, at valuation				
Other assets and liabilities (net)				
Net assets				

PORTFOLIO STATEMENTS

As at 31 December 2015

Existing use	At Valuation 31/12/2015 $'000	At Valuation 31/12/2014 $'000	Percentage of Net Assets 31/12/2015 %	Percentage of Net Assets 31/12/2014 %
	561,210	438,685	54.6	42.4
Nursing home with care service	21,050	–	2.1	–
Nursing home with care service	4,034	–	0.4	–
Nursing home with care service	1,964	–	0.2	–
Group home with care service	2,223	–	0.2	–
	590,481	438,685	57.5	42.4
Medical Centre	7,427	8,325	0.7	0.8
	1,635,308	1,500,610	159.5	144.9
	(612,121)	(465,261)	(59.5)	(44.9)
	1,023,187	1,035,349	100.0	100.0
Hospital and medical centre	653,000	664,000	64.8	61.1
Hospital and medical centre	333,000	338,000	33.0	31.1
Hospital and medical centre	51,400	51,600	5.1	4.7
	1,037,400	1,053,600	102.9	96.9
	(29,460)	32,992	(2.9)	3.1
	1,007,940	1,086,592	100.00	100.0

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

(1) These properties are leased to Parkway Hospitals Singapore Pte. Ltd., a related corporation of the Manager of the Trust under separate master lease agreements, which contain an initial term of 15 years from 23 August 2007 with an option to extend the lease of each of these properties for a further term of 15 years. On 31 December 2015, the appraised value of these properties was determined by Knight Frank Pte. Ltd., using capitalisation and discounted cash flow approaches.

(2) On 31 December 2015, independent valuations of these properties were undertaken by International Appraisals Incorporated, DTZ Debenham Tie Leung K.K. and Colliers International using direct income, cost and discounted cash flow approaches.

(3) On 19 December 2014, the Group executed an agreement to participate as an investor in relation to the acquisition of a nursing home from Oueikikaku Kabushiki Kaisha for a total consideration of JPY1,700 million (approximately $18.9 million). The appraised value of the property as at 31 October 2014 was JPY1,810 million (approximately $20.1 million). The valuation was prepared using the cost and discounted cash flow approaches. The acquisition was completed on 6 January 2015. On 31 December 2015, the appraised value of the property was determined by Colliers International using direct income, cost and discounted cash flow approaches.

(4) On 16 March 2015, the Group executed two agreements to participate as an investor in relation to the acquisition of four nursing homes and a group home from Ostara Japan One TMK and UBI Kabushiki Kaisha for a consideration of JPY5,977 million (approximately $67.9 million). The appraised value of these properties as at 1 February 2015 was JPY5,997 million (approximately $68.1 million). The valuation was prepared using the cost and discounted cash flow approaches. The acquisition was completed on 23 March 2015. On 31 December 2015, the appraised value of these properties was determined by Colliers International using direct income, cost and discounted cash flow approaches.

(5) On 31 December 2015, the appraised value of the property was determined by DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd. using capitalisation and direct comparison approaches.

The Manager of the Trust believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The net change in fair value of the properties has been taken to the Statement of Total Return.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	Group	
		2015	**2014**
		$'000	**$'000**
Operating activities			
Total return before income tax		**78,927**	133,813
Adjustments for:			
Interest income		**(11)**	(6)
Finance costs		**8,778**	8,255
Net change in fair value of financial derivatives		**4,084**	(36)
Net change in fair value of investment properties		**(5,734)**	(45,051)
Gain on disposal of investment properties		**–**	(13,674)
Operating income before working capital changes		**86,044**	83,301
Changes in working capital:			
Trade and other receivables		**64**	(900)
Trade and other payables		**(194)**	2,041
Security deposits		**5,586**	(630)
Cash generated from operations		**91,500**	83,812
Income tax paid		**(9,487)**	(4,161)
Cash flows generated from operating activities		**82,013**	79,651
Investing activities			
Interest received		**11**	6
Capital expenditure on investment properties		**(5,716)**	(4,191)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		**(97,583)**	(82,665)
Net proceeds from sale of investment properties		**–**	91,487
Divestment related cost paid		**(1,712)**	–
Cash flows (used in)/generated from investing activities		**(105,000)**	4,637
Financing activities			
Borrowing costs paid		**(606)**	(1,122)
Interest paid		**(7,845)**	(7,401)
Distributions to Unitholders		**(77,561)**	(69,212)
Proceeds from borrowings		**374,244**	234,730
Repayment of borrowings		**(397,985)**	(117,978)
Cash flows (used in)/generated from financing activities		**(109,753)**	39,017
Net (decrease)/increase in cash and cash equivalents		**(132,740)**	123,305
Cash and cash equivalents at beginning of year		**144,702**	25,613
Effects of exchange differences on cash balances		**6,581**	(4,216)
Cash and cash equivalents at end of year [(1)]	8	**18,543**	144,702

[(1)] Excludes deposits amounting to JPY154.4 million (approximately $1.8 million) (2014: JPY154.4 million (approximately $1.7 million)) that are held as collaterals (Note 8).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

Note A:

Cash outflow on purchase of investment properties (including acquisition related costs)

Cash outflow on purchase of investment properties (including acquisition related costs) is set out below:

	Group	
	2015	**2014**
	$'000	**$'000**
Investment properties	**92,810**	78,442
Acquisition related costs	**4,773**	4,223
Cash outflow/Cash consideration paid	**97,583**	82,665

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 21 March 2016.

1 GENERAL

Parkway Life Real Estate Investment Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 12 July 2007 (as amended) (the "Trust Deed") between Parkway Trust Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"), governed by the laws of the Republic of Singapore. On 12 July 2007, the Trust was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 23 August 2007 ("Listing Date"), the Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") and was included under the Central Provident Fund ("CPF") Investment Scheme on the same date.

At Listing Date, the Trust had invested in and owned an initial portfolio of three private hospitals in Singapore comprising The Mount Elizabeth Hospital Property, The Gleneagles Hospital Property, and The Parkway East Hospital Property (collectively, the "Hospital Properties"). The Hospital Properties are leased to a related corporation of the Manager of the Trust, Parkway Hospitals Singapore Pte. Ltd., pursuant to three separate master lease agreements.

The principal activity of the Trust is to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily 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. The principal activities of the subsidiaries are set out in Note 5.

For financial reporting purposes, the Group is regarded as a subsidiary of Parkway Investments Pte Ltd, a company incorporated in the Republic of Singapore. Accordingly, the ultimate holding company is IHH Healthcare Berhad, a company incorporated in Malaysia.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(A) Trustee's fee

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.03% per annum of the value of the gross assets of the Group ("Deposited Property"), subject to a minimum of $10,000 per month or such higher percentage as may be fixed by an Extraordinary Resolution at a meeting of Unitholders of the Trust. The Trustee's fee is payable out of the Deposited Property on a monthly basis, in arrears. The Trustee is also entitled to seek reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Based on the current agreement between the Manager and the Trustee, the Trustee's fee is charged on a scaled basis of up to 0.03% per annum of the value of the Group's Deposited Property.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1 GENERAL (CONT'D)

(B) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to receive management fees comprising the base fee and performance fee as follows:

(i) A base fee of 0.3% per annum of the value of the Deposited Property; and

(ii) A performance fee of 4.5% per annum of the net property income of the Group.

The base fee and performance fee is payable to the Manager in the form of cash and/or units (as the Manager may elect prior to each payment) and in such proportion as may be determined by the Manager.

Where the management fees are payable in the form of units, such payment shall be made out quarterly in arrears and the Manager shall be entitled to receive such number of units as may be purchased with the relevant amount of the management fee attributable to the relevant period at an issue price set out in accordance with the Trust Deed.

Where the management fees are payable in the form of cash, the portion of the base fee and performance fee payable in cash shall be payable monthly and quarterly in arrears, respectively. With effect from 1 January 2016, the performance fee in respect of every calendar year shall be paid in arrears, not more frequent than once a year.

Since the Listing Date, the Manager has elected to receive 20% of the base and performance fees in the form of units and 80% in the form of cash. With effect from the financial year ended 31 December 2011, the Manager has elected to receive 100% of the base and performance fees in the form of cash.

Any increase in the maximum permitted amount or any change in the structure of the Manager's management fees must be approved by an Extraordinary Resolution at a meeting of Unitholders of the Trust duly convened and held in accordance with the provisions of the Trust Deed.

In addition to the management fees, the Manager is entitled to the following fees (excluding the Hospital Properties for the duration of the master lease agreements):

(i) A fee of 2.0% per annum of the revenue of the real estate held directly or indirectly by the Trust and managed by the Manager, for property management services provided by the Manager;

(ii) A fee of 1.0% per annum of the revenue of the real estate held directly or indirectly by the Trust and managed by the Manager, for lease management services provided by the Manager;

(iii) Commissions as set out below for securing new leases or renewal of leases for those real estate which are not leased to a master lessee under a master lease agreement, pursuant to marketing services provided by the Manager:

(a) Two months' gross rent inclusive of service charge, for securing a lease of more than three years;
(b) One month's gross rent inclusive of service charge, for securing a lease of three years or less;
(c) One month's gross rent inclusive of service charge, for securing a renewal of lease of more than three years; and
(d) Half month's gross rent inclusive of service charge, for securing a renewal of lease of three years or less.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1 GENERAL (CONT'D)

(B) Manager's management fees (cont'd)

If a third party agent secures a tenancy, the Manager will be responsible for any marketing services commission payable to such third party agent, and the Manager will be entitled to a marketing service commission of:

(a) 2.4 months' gross rent inclusive of service charge for securing or renewal of a lease of more than three years; and

(b) 1.2 months' gross rent inclusive of service charge for securing or renewal of a lease of three years or less.

The marketing services commission may be adjusted accordingly at the time of securing or renewal of a lease by the Manager or a third party agent, to be consistent with and no higher than the prevailing market rates of such marketing services, commission in the country where the real estate is located.

(C) Manager's acquisition and divestment fees

The Manager is entitled to receive the following acquisition fees and divestment fees:

(i) An acquisition fee of 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by the Trust, prorated, if applicable, to the proportion of the Trust's interest.

Where the assets acquired by the Trust are shares in a special purpose vehicle whose primary purpose is to hold/own real estate (directly or indirectly), "Enterprise Value" shall mean the sum of the equity value and the total net debt attributable to the shares being acquired by the Trust. Where the asset acquired by the Trust is a real estate, "Enterprise Value" shall mean the value of the real estate.

In the event that there is a payment to be made to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property. Unless required under the Property Funds Appendix to be paid in the form of units only, the Manager may opt to receive such acquisition fee in the form of cash or units or a combination of cash and units as it may determine. Units representing the acquisition fee or any part thereof will be issued at an issue price on a similar basis as management fees.

In the event that the Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of units.

(ii) A divestment fee of 0.5% of the Enterprise Value of any real estate or real estate related asset sold or divested directly or indirectly by the Trust, pro-rated, if applicable, to the proportion of the Trust's interest.

Unless required under the Property Funds Appendix to be paid in the form of units only, the Manager may opt to receive such divestment fee in the form of cash or units or a combination of cash and units as it may determine. Units representing the divestment fee or any part thereof will be issued at an issue price on a similar basis as management fees. Any payment to third party agents or brokers in connection with the divestment of any real estate or real estate related assets of the Trust shall be paid by the Trust. In the event the Manager receives divestment fee in connection with a transaction with a related party, any such divestment fee shall be paid in the form of units.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1 GENERAL (CONT'D)

(D) Project management fees

The Property Manager is entitled to receive a project management fee for each project undertaken, for the development or redevelopment (if not prohibited by the Property Funds Appendix or if otherwise permitted by the Monetary Authority of Singapore), the refurbishment, retrofitting and renovation of a property, based on the capital expenditure of the project, amounting to:

(i) 5.0% of the capital expenditure of the project where the capital expenditure of the project is less than $1.0 million; or

(ii) 3.0% of the capital expenditure of the project where the capital expenditure of the project is more than or equal to $1.0 million.

For the purpose of calculating the fees payable to the Property Manager, "capital expenditure" means all construction costs and expenditure valued by the quantity surveyor engaged by the Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants' professional fees and goods and services tax.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the *recommendations of Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants* and the applicable requirements of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

– derivative financial instruments are measured at fair value; and
– investment properties are measured at fair value.

2.3 Functional and presentation currency

The financial statements of the Group and the Trust are presented in Singapore dollars, which is the Trust's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – fair value determination of investment properties; and
- Note 24 – valuation of financial instruments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – fair value determination of investment properties; and
- Note 24 – valuation of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES

The Group adopted new or revised financial standards and interpretations which become effective during the year. The initial adoption of these standards and interpretations did not have a material impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the Statement of Total Return, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in foreign operations, and financial liabilities designated as hedges of the net investment in foreign operations as mentioned below, which are recognised in the Unitholders' funds.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of the reporting period.

Foreign currency differences are recognised in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to the Statement of Total Return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Hedge of net investment in foreign operations

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operations and the parent entity's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the Statement of Total Return. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the Statement of Total Return as part of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are accounted for as non-current assets and are stated at cost on acquisition, and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Valuations are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

(i) in such manner and frequency required under the CIS code issued by MAS; and

(ii) at least once a year, on the 31st December of each year.

Any increase or decrease on revaluation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Subsequent expenditure relating to investment properties that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

3.4 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into loans and receivables category.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, cash and cash equivalents and security deposits receivable.

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash collateral received is excluded.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, trade and other payables, and security deposits payable.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Unitholders' funds

Unitholders' funds are classified as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Derivative financial instruments, including hedge accounting (cont'd)

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in the Statement of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the Statement of Total Return, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in Unitholders' funds. The amount recognised in hedging reserve is removed and included in the Statement of Total Return in the same period as the hedged cash flows affect profit or loss under the same line item in the Statement of Total Return as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Total Return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the hedging reserve is recognised immediately in the Statement of Total Return. In other cases, the amount recognised in the hedging reserve is transferred to the Statement of Total Return in the same period that the hedged item affects the Statement of Total Return.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the Statement of Total Return.

3.5 Impairment

Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the Statement of Total Return and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Total Return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Revenue recognition

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the Statement of Total Return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received over the term of the lease. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis.

(ii) Interest income

Interest income is recognised on an accrual basis, using the effective interest method.

(iii) Dividend income

Dividend income is recognised in the Statement of Total Return on the date the Trust's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis. Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Total Return on a straight-line basis over the term of leases.

(ii) Management fees

Management fees comprise of the Manager's base fees, performance fees and asset management fees payable to the asset managers of the Japan properties.

Manager's base fees and performance fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(B). Where applicable, Manager's base fee and performance fee paid and payable in units are recognised as an expense in the Statement of Total Return with a corresponding increase in Unitholders' funds.

(iii) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses is the trustee's fees which are based on the applicable formula stipulated in Note 1(A).

(iv) Finance costs

Finance costs comprise interest expense on borrowings, amortisation of borrowings related transactions costs and settlement on financial derivatives.

Interest expense and similar charges are recognised in the Statement of Total Return, using the effective interest rate method over the period of borrowings. Expenses incurred in connection with the arrangement of borrowings are recognised in the Statement of Total Return using the effective interest method over the period for which the borrowings are granted.

3.8 Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the Statement of Total Return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in the Unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Income tax expense (cont'd)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore (the "IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90.0% of the taxable income of the Trust, the Trustee is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust's distributions. This treatment is known as the tax transparency treatment.

Qualifying Unitholders are entitled to gross distributions from the Trust. For distributions made to foreign non-individual Unitholders during the period from 18 February 2010 to 31 March 2020, the Trustee is required to withhold tax at the reduced rate of 10.0% on distributions made. For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such other types of Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate by the Trustee.

A Qualifying Unitholder refers to a Unitholder who is:

- An individual;
- A company incorporated and tax resident in Singapore;
- A Singapore branch of a company incorporated outside Singapore;
- A body of persons incorporated or registered in Singapore including a charity registered under the Charities Act (Cap. 37) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Cap. 62) or a trade union registered under the Trade Unions Act (Cap. 333).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Income tax expense (cont'd)

A foreign non-individual Unitholder refers to a Unitholder who is not a resident of Singapore for income tax purpose and:

- who does not have any permanent establishment in Singapore; or
- who carries on any operation through a permanent establishment in Singapore, where the funds used by that person to acquire the units in that REIT are not obtained from that operation in Singapore.

The above tax transparency treatment does not apply to gains from disposal of any properties such as real estate properties, shares, etc that are determined by the IRAS to be revenue gains chargeable to tax. Tax on such gains or profits will be subject to tax, in accordance to Section 10(1)(a) of the Income Tax Act (Cap 134) and collected from the Trustee. Where the gains are capital gains, they will not be subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

3.9 Distribution policy

The Trust has a distribution policy to distribute at least 90.0% of its taxable income, other than gains from the sale of real estate properties that are determined by IRAS to be trading gains, and net overseas income, with the actual level of distribution to be determined at the Manager's discretion. For the taxable income that is not distributed, referred to as retained taxable income, tax will be assessed on the Trustee. Where such retained taxable income is subsequently distributed, the Trustee need not deduct tax at source.

Net overseas income refers to the net profits (excluding any gains from the sale of property or shares, as the case may be) after applicable taxes and adjustment for non-cash items such as depreciation derived by the Trust from its properties, if any.

Distributions to Unitholders are made on a quarterly basis, with the amount calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions within 75 days after the end of the first three distribution periods of a financial year and within 90 days from the end of a financial year. Distributions, when paid, will be in Singapore dollars.

3.10 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of units outstanding during the period, adjusted for own units held. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding, adjusted for own units held, for the effects of all dilutive potential units.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Manager's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year on additions to investment properties that are expected to be used for more than one year.

3.12 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. In addition, Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: First-time adoption of IFRS when transitioning to the new reporting framework. The Manager is currently assessing the impact of transitioning to the new reporting framework on the financial statements of the Group and the Trust.

These new standards include, among others FRS 109 *Financial Instruments* which is mandatory for adoption by the Group on 1 January 2018.

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement.* It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Trust in accounting for financial instruments, the standard is expected to be relevant. The Group does not plan to early adopt the standard.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4 INVESTMENT PROPERTIES

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**1,500,610**	1,483,820	**1,053,600**	1,021,400
Acquisition of investment properties	**95,272**	78,442	**–**	–
Acquisition related costs	**1,180**	3,637	**–**	–
Disposal of investment properties	**–**	(73,803)	**–**	–
Capital expenditure	**6,041**	5,059	**4,829**	3,598
Translation difference	**26,471**	(41,596)	**–**	–
	1,629,574	1,455,559	**1,058,429**	1,024,998
Net change in fair value of investment properties	**5,734**	45,051	**(21,029)**	28,602
At 31 December	**1,635,308**	1,500,610	**1,037,400**	1,053,600

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2015 performed by independent professional valuers having appropriate recognised professional qualification and experience in the location and category of property being valued.

In determining the fair value, the valuers have used valuation methods which involved certain estimates. In relying on the valuation reports, the Manager is of the view that the valuation methods and estimates are reflective of the current market conditions.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The independent professional valuers have considered valuation techniques including direct income, cost, discounted cash flow, and direct comparison approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate.

The direct income approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow approach involves the estimation and projection of an income stream over a period and discounting the income stream with an appropriate rate of return. The cost approach involves the estimation of the replacement cost of improvements and the market value of the land. The direct comparison approach involves the analysis of recent recorded transactions of comparable properties in the vicinity after making the necessary adjustments where appropriate for differences.

Valuation processes applied by the Group and Trust

As explained under note 3.3, valuation of investment properties is performed in accordance with the Trust Deed. In assessing the fair value measurements, the Manager reviews the valuation methodologies and evaluates the assessments made by the valuers.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4 INVESTMENT PROPERTIES (CONT'D)

Determination of fair value (cont'd)

Fair value hierarchy

The table below analyses the fair value measurement for investment properties of the Group and the Trust that have been categorised as Level 3 fair values based on inputs to the valuation technique used.

	Level 3 $'000
31 December 2015	
Group	
Investment properties	**1,635,308**
Trust	
Investment properties	**1,037,400**
31 December 2014	
Group	
Investment properties	1,500,610
Trust	
Investment properties	1,053,600

The following table shows the key unobservable inputs used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties		
Discounted cash flow approach and capitalisation approach	• Risk-adjusted discount rates range from **5.1% to 7.8%** (2014: 5.3% to 8.0%). • Capitalisation rates range from **4.5% to 7.4%** (2014: 5.0% to 7.9%). • Terminal yield rates range from **5.4% to 7.5%** (2014: 5.6% to 8.0%).	The estimated fair value would increase/(decrease) if: • the risk-adjusted discount rates were lower/(higher); • the capitalisation rates were lower/(higher); or • the terminal yield rates were lower/(higher).

Key unobservable inputs

Key unobservable inputs correspond to:

- Capitalisation rate corresponds to a rate of return on investment properties on the expected income that the property will generate.
- Discount rates, based on the risk-free rate for bonds issued by government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield rate is the estimated capitalisation rate at maturity of the holding period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5 INTERESTS IN SUBSIDIARIES

	Trust 2015 $'000	Trust 2014 $'000
Equity investments, at cost	**553,832**	583,643
Amount due from subsidiary (non-trade)	**4,075**	4,075
	557,907	587,718

Amount due from subsidiary is unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this balance is, in substance, part of the Trust's net investment in the subsidiary, it is stated at cost less accumulated impairment losses.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group 2015 %	Effective equity interest held by the Group 2014 %
* Matsudo Investment Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Phoebe [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	100
* Parkway Life Japan2 Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Urbino	Special purpose entity – Investment in real estate	Japan	**100**	100
** Godo Kaisha Del Monte	Special purpose entity – Investment in real estate	Japan	**100**	100
** Godo Kaisha Tenshi 1	Special purpose entity – Investment in real estate	Japan	**100**	100
** Godo Kaisha Tenshi 2 [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	100
* Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore	**100**	100
* Parkway Life Japan3 Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Healthcare 1 [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	100
** Godo Kaisha Healthcare 2	Special purpose entity – Investment in real estate	Japan	**100**	100
** Godo Kaisha Healthcare 3	Special purpose entity – Investment in real estate	Japan	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5 INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group 2015 %	2014 %
	** Godo Kaisha Healthcare 4 [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Healthcare 5	Special purpose entity – Investment in real estate	Japan	**100**	100
*	Parkway Life Japan4 Pte. Ltd.	Investment holding	Singapore	**100**	100
	** Godo Kaisha Samurai	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 2	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 3	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 4 [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 5	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 6	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 7	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 8	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 9 [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 10 [(1)]	Special purpose entity – Investment in real estate	Japan	**100**	–
*	Parkway Life Malaysia Pte. Ltd.	Investment holding	Singapore	**100**	100
	# Parkway Life Malaysia Sdn. Bhd.	Special purpose entity – Investment in real estate	Malaysia	**100**	100

* Audited by KPMG Singapore.

** Not required to be audited under the laws of country of incorporation.

(1) For consolidation purposes, this entity has been audited by a member firm of KPMG International.

\# Audited by BDO Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6 FINANCIAL DERIVATIVES

	Group and Trust	
	2015	**2014**
	$'000	**$'000**
Current derivative assets	**–**	398
Non-current derivative assets	**2,647**	10,515
Total derivative assets	**2,647**	10,913
Current derivative liabilities	**–**	(193)
Non-current derivative liabilities	**(3,457)**	(2,436)
Total derivative liabilities	**(3,457)**	(2,629)
Total derivative (liabilities)/assets (net)	**(810)**	8,284

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	%	%	%	%
Percentage of derivative assets to unitholders' funds	**0.3**	1.1	**0.3**	1.0
Percentage of derivative liabilities to unitholders' funds	**0.3**	0.3	**0.3**	0.2

Interest rate swaps

The Group manages its exposure to interest rate movements on its floating rate loans and borrowings by entering into interest rate swaps. As at the reporting date, the Group has interest rate swaps with a total notional principal of $485,845,600 (2014: $538,641,600) to provide fixed rate funding for terms of 1 to 5 years (2014: 1 to 6 years) at a weighted average effective interest rate of 0.61% (2014: 0.32%) per annum.

As at 31 December 2015, where the interest rate swaps are designated as the hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the interest rate swaps amounting to $0.5 million loss (2014: $0.9 million loss) was recognised in the hedging reserve. During the financial year, the changes in fair value of interest rate swaps, where hedge accounting was discontinued or not practised, amounted to $0.1 million gain (2014: $0.1 million loss) was charged to the Statement of Total Return.

Forward foreign exchange contracts

The Group manages its exposure to foreign currency movements on its net income denominated in Japanese Yen from its investments in Japan by using forward foreign exchange contracts to provide a hedge to the distribution of income from its investment in Japan, net of Japanese Yen financing costs.

At the reporting date, the Group has outstanding forward foreign exchange contracts with aggregate notional amounts of approximately $41.8 million (2014: $32.9 million). The change in fair value of $4.2 million loss (2014: $0.1 million gain) was charged to the Statement of Total Return.

Cross currency interest rate swap

At the reporting date, the Group has a cross currency interest rate swap ("CCIRS") with notional principal of $75.2 million (2014: $75.2 million) to manage its foreign currency risk and interest rate risk arising from the refinancing of the maturing Japanese Yen debts using Singapore dollar facilities in 2014. To maintain a natural hedge, the Group utilised a CCIRS to realign the $75.2 million Singapore dollar revolving credit facility back into an effective JPY6,250 million Japanese Yen denominated loan to match its underlying Japanese Yen denominated assets.

The Group had in-substance bifurcated the CCIRS and applied hedge accounting for net investment hedge and cash flow hedge, where the changes in fair value of the CCIRS of $6.2 million loss (2014: $4.7 million gain) and $1.6 million gain (2014: $0.1 million loss) were recognised in the foreign currency translation reserve and hedging reserve, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6 FINANCIAL DERIVATIVES (CONT'D)

Offsetting financial assets and financial liabilities

The Group's derivative transactions are entered into under International Swaps and Derivatives Association 2002 Master Agreements ("ISDA Master Agreements") or long-form confirmation with various bank counterparties. In general, under such ISDA Master Agreements the amounts owed by each counterparty in respect of the same transactions outstanding in the same currency under the agreement are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all outstanding transactions.

The above ISDA Master Agreements or long-form confirmation do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously in its normal course of business.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position $'000	Net amounts of financial instruments included in the Statement of Financial Position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Group and Trust					
31 December 2015					
Financial assets					
Cross currency interest rate swap used for hedging	6	–	6	–	6
Forward foreign exchange contracts	2,641	–	2,641	–	2,641
Total	2,647	–	2,647	–	2,647
Financial liabilities					
Interest rate swaps used for hedging	(3,045)	–	(3,045)	996	(2,049)
Forward foreign exchange contracts	(412)	–	(412)	–	(412)
Total	(3,457)	–	(3,457)	996	(2,461)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6 FINANCIAL DERIVATIVES (CONT'D)

Offsetting financial assets and financial liabilities (cont'd)

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position $'000	Net amounts of financial instruments included in the Statement of Financial Position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Group and Trust					
31 December 2014					
Financial assets					
Cross currency interest rate swap used for hedging	4,511	–	4,511	–	4,511
Forward foreign exchange contracts	6,402	–	6,402	(195)	6,207
Total	10,913	–	10,913	(195)	10,718
Financial liabilities					
Interest rate swaps used for hedging	(2,629)	–	(2,629)	743	(1,886)

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Amounts due from:				
– related party (trade)	**9,390**	9,209	**9,390**	9,209
– related party (non-trade)	**–**	1	**–**	1
Advances to subsidiary	**–**	–	**–**	20,368
Other receivables	**255**	534	**–**	–
Loans and receivables	**9,645**	9,744	**9,390**	29,578
Prepayments	**740**	616	**8**	28
	10,385	10,360	**9,398**	29,606

Transactions with related parties are priced on terms agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

7 TRADE AND OTHER RECEIVABLES (CONT'D)

Non-trade amount due from a related party is unsecured and interest-free, and is repayable on demand. There is no allowance for doubtful debt arising from the outstanding balances.

Advances to subsidiary were unsecured and interest-free, and repayable on demand. The advances were repaid during the current financial year.

The maximum exposure to credit risks for trade receivables at reporting date by operating segment is as follows:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Hospitals and medical centres	**9,390**	9,209	**9,390**	9,209
Nursing homes	**–**	–	**–**	–
Pharmaceutical Manufacturing and Distribution Facility	**–**	–	**–**	–
	9,390	9,209	**9,390**	9,209

At the reporting date, the hospitals and medical centres located in Singapore are leased to one master lessee, Parkway Hospitals Singapore Pte. Ltd. ("PHS"), a related party of the Manager of the Trust. Accordingly, the Group's most significant outstanding trade receivable amounts to $9,390,000 (2014: $9,209,000) due from PHS as at the reporting date. These trade receivables are in accordance to the payment schedule as set out in the lease agreements entered with PHS.

As at 31 December 2015, the Trust has in its possession several bankers' guarantees in its favour amounting to $7.5 million (2014: $7.5 million). These are provided to the Trust by PHS, in lieu of security deposits.

The Manager is of the opinion that there are no conditions that cast doubt over the recoverability of the Group's trade receivables.

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross 2015 $'000	Impairment losses 2015 $'000	Gross 2014 $'000	Impairment losses 2014 $'000
Group and Trust				
Not past due	**9,390**	**–**	9,209	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	**20,358**	146,406	**427**	889
Less cash collateral received	**(1,815)**	(1,704)	**–**	–
Cash and cash equivalents in the cash flow statement	**18,543**	144,702	**427**	889

In respect of the Japan properties acquired by the Group in July 2010, the vendor has provided a rental income guarantee (the "Rental Income Guarantee"), in which it agreed to indemnify the Group in the event that the actual revenue in respect of any of the properties in any month is less than the initial revenue at acquisition, for a maximum duration of seven years and subject to a maximum aggregate claim of 5% of the purchase price (which is equivalent to approximately JPY154.4 million ($1.8 million)).

To further support the Rental Income Guarantee, a cash collateral of JPY154.4 million, approximately $1.8 million (2014: JPY154.4 million, approximately $1.7 million) was placed with the Group, for withdrawal in respect of valid claims under the Rental Income Guarantee. Any balance left in the account upon expiration of the Rental Income Guarantee will be returned to the vendor.

Cash and cash equivalents in the consolidated statement of cash flows as at 31 December 2015 and 2014 excludes the above cash collateral.

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables and accrued operating expenses	**6,530**	13,041	**4,004**	3,843
Amounts due to related parties:				
– the Manager (trade)	**1,643**	2,036	**1,639**	2,022
– the Manager (non-trade)	**166**	107	**166**	107
– the Trustee (trade)	**77**	47	**77**	47
– related corporation (non-trade)	**240**	–	**–**	–
Interest payable	**805**	739	**805**	739
Advance rent received	**6,268**	5,507	**2,500**	2,500
	15,729	21,477	**9,191**	9,258

Transactions with related parties are priced on terms agreed between the parties.

The non-trade amounts due to the Manager and related corporation is unsecured and interest-free, and is repayable on demand.

The Group's and Trust's exposure to liquidity risk related to trade and other payables are disclosed in note 24.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 LOANS AND BORROWINGS

	Group and Trust 2015 $'000	Group and Trust 2014 $'000
Current liabilities		
Unsecured bank loan	**1,000**	80,864
Non-current liabilities		
Unsecured bank loans	**588,398**	505,818
Unamortised transaction costs	**(2,210)**	(2,471)
	586,188	503,347

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

Group and Trust	Nominal interest rate %	Year of maturity	2015 Face value $'000	2015 Carrying amount $'000	2014 Face value $'000	2014 Carrying amount $'000
S$ variable rate loan	Bank's cost of fund	2015 & 2016	**1,000**	**1,000**	19,200	19,200
S$ floating rate loan	SOR# + margin	2016	**–**	**–**	80,000	80,000
JPY variable rate loan	Bank's cost of fund	2015	**–**	**–**	61,664	61,664
JPY floating rate loans	LIBOR* + margin	2017	**71,465**	**71,465**	79,488	79,488
JPY floating rate loans	LIBOR* + margin	2018	**109,721**	**109,721**	103,003	103,003
JPY floating rate loans	LIBOR* + margin	2019	**137,944**	**137,944**	129,499	129,499
S$ floating rate loans	SOR# + margin	2019	**50,000**	**50,000**	–	–
S$ floating rate loans	SOR# + margin	2020	**75,188**	**75,188**	75,188	75,188
JPY floating rate loan	LIBOR* + margin	2020	**94,080**	**94,080**	38,640	38,640
S$ floating rate loans	SOR# + margin	2021	**50,000**	**50,000**	–	–
			589,398	**589,398**	586,682	586,682

Swap Offer Rate

* London Interbank Offered Rate

The loans and borrowings comprise the following:

(1) Long Term Unsecured Term Loans and Revolving Credit Facility

The Group has several outstanding long term unsecured term loans and revolving credit facilities to fund various investment property acquisitions in Japan as at beginning of the financial year.

On 16 March 2015, the Group has drawn down JPY3,938 million (approximately $46.3 million) from the JPY4,500 million 5-year committed and unsecured term loan facility entered into in December 2014 for the purpose of funding the acquisition of two nursing home properties in Japan completed on 12 December 2014 and 6 January 2015. This amount drawn, coupled with a portion of the repatriated divestment proceeds, was used to term out the existing short-term bridging loans, amounting to JPY5,585.5 million, used for the acquisition of above two nursing home properties in Japan.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10 LOANS AND BORROWINGS (CONT'D)

(1) Long Term Unsecured Term Loans and Revolving Credit Facility (Cont'd)

On 15 May 2015, the Group has termed out part of the existing long term facility amounting to JPY562 million (approximately $6.6 million) via the remaining balance of JPY4,500 million 5-year committed and unsecured term loan facility.

In June 2015, the Group has completed the refinancing and terming out of loans due in FY2016 by securing a $100 million long term credit facilities to repay an existing $80 million loan facility due in 2Q 2016 and some SGD short term loans. The refinancing exercise was completed on 29 June 2015.

On 22 December 2015, the Group had further repaid part of the long term facility amounting to JPY561 million (approximately $6.6 million).

As at 31 December 2015, the total facilities drawn of JPY35,137 million ($413.2 million) (2014: JPY31,760 million ($350.6 million)) and $175.2 million (2014: $155.2 million) (the "Long Term Facilities") were committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT. Interest on the Long Term Facilities is subject to re-pricing on a monthly or quarterly basis or any other interest period as mutually agreed between the lenders and the Group, and is based on the relevant floating rate plus a margin.

In addition, the Group entered into interest rate swaps with various counterparties to provide fixed rate funding for the above Long Term Facilities. Details of these interest rate swaps are set out in Note 6.

(2) Short Term Facilities

The Trust has two unsecured and uncommitted short term multi-currency facilities (the "Short Term Facilities") of up to $75 million each for general working capital purposes. Interest on the Short Term Facilities is based on the bank's cost of fund.

As at 31 December 2015, a total of $1.0 million was drawn down via the Short Term Facilities for working capital for 1 month.

11 DEFERRED TAX LIABILITIES

	At 1 January $'000	Recognised in Statement of Total Return $'000	Translation differences $'000	At 31 December $'000
Group				
2015				
Deferred tax liabilities				
Investment properties	11,773	7,452	525	19,750
2014				
Deferred tax liabilities				
Investment properties	8,719	3,435	(381)	11,773

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12 UNITHOLDERS' FUNDS

	Group		Trust	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Unitholders' contribution	**695,973**	709,465	**695,973**	709,465
Revenue reserve	**324,433**	321,515	**313,511**	379,812
Hedging reserve	**(1,544)**	(2,685)	**(1,544)**	(2,685)
Foreign currency translation reserve	**4,325**	7,054	**–**	–
	1,023,187	1,035,349	**1,007,940**	1,086,592

Foreign currency translation reserve

The foreign currency translation reserve comprises the cumulative effects of:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust;

(b) the gains or losses on instruments used to hedge the Trust's net investment in foreign operations that are determined to be effective hedges; and

(c) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

13 UNITS IN ISSUE

	Trust	
	2015	2014
	('000)	('000)
Units in issue:		
Balance at beginning and end of year	**605,002**	605,002

Each unit in the Trust represents an undivided interest in the Trust and carries the same voting rights. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the units held;
- receive audited financial statements and annual reports of the Trust;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust available for purposes of such distribution less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

13 UNITS IN ISSUE (CONT'D)

- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or 10% of the total units issued, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and

- one vote per unit at the meeting of the Trust.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and

- a Unitholder has no right to request the Manager to repurchase or redeem his units while the units are listed on the SGX-ST and/or any other recognised stock exchange.

A Unitholder's liability is limited to the amount paid or payable for any unit in the Trust. The provisions of the Trust Deed provide that if the issue price of the units held by a Unitholder has been fully paid, no such Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

14 GROSS REVENUE

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Property rental income	**102,484**	100,242	**64,668**	63,294
Dividend income from subsidiaries	**–**	–	**10,172**	16,202
Other income	**210**	140	**–**	–
	102,694	100,382	**74,840**	79,496

15 PROPERTY EXPENSES

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Operations and maintenance expenditure	**4,254**	4,013	**3,118**	3,118
Property tax	**2,267**	2,160	**–**	–
Property and lease management fees	**16**	17	**–**	–
Land rental	**138**	384	**–**	–
Others	**22**	33	**–**	–
	6,697	6,607	**3,118**	3,118

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

16 MANAGEMENT FEES

	Group		Trust	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Base fees	**4,974**	4,731	**4,974**	4,731
Performance fees	**4,320**	4,220	**4,320**	4,220
Divestment fees	**–**	–	**–**	438
Asset management fees	**1,118**	1,100	**–**	–
	10,412	10,051	**9,294**	9,389

17 TRUST EXPENSES

	Group		Trust	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trustee fees	**290**	280	**290**	280
Valuation fees	**175**	191	**175**	191
Auditors' remuneration				
– audit fees	**257**	247	**117**	111
– non-audit fees	**176**	87	**166**	64
Professional fees	**1,198**	1,418	**706**	1,120
Other expenses	**537**	513	**412**	411
	2,633	2,736	**1,866**	2,177

18 FINANCE COSTS

	Group and Trust	
	2015	2014
	$'000	$'000
Interest paid and payable		
– bank loans	**7,569**	6,217
– financial derivatives	**336**	1,141
	7,905	7,358
Amortisation of transaction costs relating to debt facilities	**867**	897
Others	**6**	–
	8,778	8,255

19 GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

Gain on disposal of investment properties arose from the divestment of seven Japan properties with legal completion on 26 December 2014. There was no divestment of properties in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

20 INCOME TAX EXPENSE

	Group		Trust	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current tax expense				
Withholding tax	**4,444**	9,235	**–**	–
Income tax expense	**43**	37	**–**	–
	4,487	9,272	**–**	–
Deferred tax expense				
Movement in temporary differences	**7,452**	3,435	**–**	–
	7,452	3,435	**–**	–
Total	**11,939**	12,707	**–**	–

Reconciliation of effective tax rate

	Group		Trust	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Total return/(loss) for the year before income tax	**78,927**	133,813	**(2,232)**	126,004
Income tax using Singapore tax rate of 17% (2014: 17%)	**13,418**	22,748	**(379)**	21,421
Effect of different tax rate in foreign jurisdictions	**1,982**	2,160	**–**	–
Income not subject to tax	**(808)**	(4,727)	**(517)**	(12,823)
Non-tax deductible items	**6,387**	1,439	**9,936**	315
Tax transparency	**(9,040)**	(8,913)	**(9,040)**	(8,913)
	11,939	12,707	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21 EARNINGS PER UNIT

The calculation of basic earnings per unit is based on the weighted average number of units in issue during the year and the total return after income tax.

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Total return before income tax and distribution	**78,927**	133,813	**(2,232)**	126,004
Less: Income tax expense	**(11,939)**	(12,707)	**–**	–
Total return after income tax, before distribution	**66,988**	121,106	**(2,232)**	126,004

	Group and Trust	
	2015 Number of Units ('000)	**2014 Number of Units ('000)**
Units issued at beginning and end of year	**605,002**	605,002

	Group		Trust	
	2015	**2014**	**2015**	**2014**
Basic earnings per unit (cents)	**11.07**	20.02	**(0.37)**	20.83

Diluted earnings per unit is the same as the basic earnings per unit as there were no dilutive instruments in issue during the financial year.

22 COMMITMENTS

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Capital commitments:				
– contracted but not provided for	**2,049**	5,743	**1,777**	5,208
– authorised but not contracted for	**4,168**	1,102	**3,912**	585
	6,217	6,845	**5,689**	5,793

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

22 COMMITMENTS (CONT'D)

Operating lease commitments

(a) Operating lease rental payable

Future minimum lease payments for the Group on non-cancellable operating leases with a term of more than one year are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Within 1 year	**141**	132
After 1 year but within 5 years	**564**	530
After 5 years	**5,130**	4,949
	5,835	5,611

(b) Operating lease rental receivable

The Group leases out its investment properties. Non-cancellable operating lease rentals receivable are as follows:

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**105,291**	96,318	**65,102**	64,426
After 1 year but within 5 years	**411,696**	377,221	**260,410**	257,704
More than 5 years	**394,406**	433,141	**106,661**	170,155
	911,393	906,680	**432,173**	492,285

Since August 2007, the Group leases out its investment properties in Singapore to PHS, a related party of the Manager of the Trust, under separate master lease agreements for a period of fifteen years. PHS has the option to extend the leases for another fifteen years on terms to be mutually agreed between the Trust and PHS provided that the revised rent for the first year of the extended term shall not exceed the amount equivalent to 15% of the Adjusted Hospital Revenue for FY2021.

As at 31 December 2015, the investment properties in Japan which include one pharmaceutical product distributing and manufacturing facility and forty-two nursing homes (including five nursing homes and one group home acquired during the financial year) are leased to a master lessee and several nursing home operators based in Japan, respectively.

As at 31 December 2015, the Group leased out its strata titled units/lots within Gleneagles Intan Medical Centre Kuala Lumpur Malaysia to Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. and CIMB Bank Berhad. Both lessees are related corporations of the Manager of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

23 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities.

During the financial year, other than those as disclosed elsewhere in the financial statements, significant transactions with related parties carried out in the normal course of business on terms agreed between the parties are as follows:

	Group		Trust	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Related corporations of the Manager				
Rental income received/receivable	**65,135**	63,757	**64,668**	63,294
Other income received/receivable	**35**	38	**–**	–
The Manager				
Manager's management fees paid/payable	**9,294**	8,951	**9,294**	8,951
Acquisition fees paid/payable to the Manager	**876**	763	**876**	763
Divestment fees paid/payable to the Manager	**–**	438	**–**	438
Travelling expenses reimbursed to the Manager	**371**	376	**371**	376
Corporate secretarial services expenses reimbursed to the Manager	**–**	17	**–**	17
Property and lease management fees paid/payable to the Manager	**16**	17	**–**	–
Marketing services commission paid/payable to the Manager	**–**	10	**–**	–
The Trustee				
Trustee's fees paid/payable	**290**	280	**290**	280

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, as well as the Group's capital management strategy.

Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management processes to ensure an appropriate balance between risks and controls is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a lessee or deposit taking financial institution fails to meet its contractual obligations, and arises principally from the Group's receivables from lessees and cash and cash equivalents placed with these financial institutions.

Trade and other receivables

The investment properties in Singapore are leased to one master lessee, PHS, a related corporation of the Manager of the Trust. The investment properties in Japan are leased to several nursing home operators and a master lessee in respect to the pharmaceutical product distributing and manufacturing facility. The Manager is of the opinion that there were no conditions that cast doubt over the recoverability of the Group's trade receivables. The maximum exposure to credit risk is represented by the carrying value of these receivables on the statement of financial position.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated.

At the reporting date, except as disclosed in Note 7, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to cater for the fluctuations in cash flow requirements. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period of time, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

As at 31 December 2015, the Group has unutilised short term credit facilities of approximately $149.0 million (2014: $69.1 million) that can be drawn down to meet short term financing needs. Furthermore, the Group has put in place a $500 million MTN Programme, of which there were no outstanding notes issued under the MTN Programme as of 31 December 2015.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

			<----------- Cash flow	----------->	
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**2 to 5 years $'000**	**More than 5 years $'000**
Group					
2015					
Non-derivative financial liabilities					
S$ unsecured bank loans	176,188	(194,831)	(5,096)	(139,188)	(50,547)
JPY unsecured bank loans	413,210	(427,341)	(4,465)	(422,876)	–
Security deposits	20,092	(20,092)	(1,724)	(1,954)	(16,414)
Trade and other payables^	9,461	(9,461)	(9,461)	–	–
	618,951	(651,725)	(20,746)	(564,018)	(66,961)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– assets	(40,279)	41,825	13,225	28,600	–
– liabilities	38,050	(39,564)	(11,595)	(27,969)	–
Cross currency interest rate swap (gross-settled)					
– assets	(2,986)	3,100	655	2,445	–
– liabilities	2,980	(3,094)	(654)	(2,440)	–
Interest rate swaps used for hedging (net-settled)	3,045	(3,162)	(1,042)	(2,120)	–
	810	(895)	589	(1,484)	–
	619,761	(652,620)	(20,157)	(565,502)	(66,961)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount $'000	Contractual cash flows $'000	Cash flow Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000
Group					
2014					
Non-derivative financial liabilities					
S$ unsecured bank loans	174,388	(181,185)	(21,332)	(84,075)	(75,778)
JPY unsecured bank loans	412,294	(427,744)	(65,647)	(323,369)	(38,728)
Security deposits	13,511	(13,511)	(1,064)	(2,421)	(10,026)
Trade and other payables^	15,970	(15,970)	(15,970)	–	–
	616,163	(638,410)	(104,013)	(409,865)	(124,532)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– assets	(31,751)	32,903	10,601	21,717	585
– liabilities	25,349	(26,254)	(8,018)	(17,722)	(514)
Cross currency interest rate swap (gross-settled)					
– assets	(7,882)	8,168	1,436	5,743	989
– liabilities	3,371	(3,493)	(614)	(2,456)	(423)
Interest rate swaps used for hedging (net-settled)	2,629	(2,724)	(758)	(1,957)	(9)
	(8,284)	8,600	2,647	5,325	628
	607,879	(629,810)	(101,366)	(404,540)	(123,904)
Trust					
2015					
Non-derivative financial liabilities					
S$ unsecured bank loans	176,188	(194,831)	(5,096)	(139,188)	(50,547)
JPY unsecured bank loans	413,210	(427,341)	(4,465)	(422,876)	–
Security deposits	3	(3)	(3)	–	–
Trade and other payables^	6,691	(6,691)	(6,691)	–	–
	596,092	(628,866)	(16,255)	(562,064)	(50,547)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– assets	(40,279)	41,825	13,225	28,600	–
– liabilities	38,050	(39,564)	(11,595)	(27,969)	–
Cross currency interest rate swap (gross-settled)					
– assets	(2,986)	3,100	655	2,445	–
– liabilities	2,980	(3,094)	(654)	(2,440)	–
Interest rate swaps (net-settled)	3,045	(3,162)	(1,042)	(2,120)	–
	810	(895)	589	(1,484)	–
	596,902	(629,761)	(15,666)	(563,548)	(50,547)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount $'000	Contractual cash flows $'000	<----------- Cash flow -----------> Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000
Trust					
2014					
Non-derivative financial liabilities					
S$ unsecured bank loans	174,388	(181,185)	(21,332)	(84,075)	(75,778)
JPY unsecured bank loans	412,294	(427,744)	(65,647)	(323,369)	(38,728)
Security deposits	36	(36)	–	(36)	–
Trade and other payables^	6,758	(6,758)	(6,758)	–	–
	593,476	(615,723)	(93,737)	(407,480)	(114,506)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– assets	(31,751)	32,903	10,601	21,717	585
– liabilities	25,349	(26,254)	(8,018)	(17,722)	(514)
Cross currency interest rate swap (gross-settled)					
– assets	(7,882)	8,168	1,436	5,743	989
– liabilities	3,371	(3,493)	(614)	(2,456)	(423)
Interest rate swaps (net-settled)	2,629	(2,724)	(758)	(1,957)	(9)
	(8,284)	8,600	2,647	5,325	628
	585,192	(607,123)	(91,090)	(402,155)	(113,878)

^ Excludes rent received in advance

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Exposure to foreign currency risk

The Manager's investment mandate covers the Asia-Pacific region. In order to manage the currency risk involved in investing in assets outside of Singapore, the Manager may, as appropriate, adopt currency risk management strategies including:

- the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge;
- the use of derivative or other hedging instruments to hedge against fluctuations in the exchange rates of foreign currency income received from offshore assets against Singapore dollars; and
- the use of cross currency swaps to hedge against the fluctuations in the exchange rates of any foreign currency denominated net assets of the Group against Singapore dollars.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

The Group is exposed to foreign currency risk arising from its investments in Japan and Malaysia. The income generated from these investments and net assets are denominated in foreign currencies, mainly Japanese Yen ("JPY") and Malaysia Ringgit ("MYR").

The Group's exposure to foreign currency risk mainly arises from the distribution of net income denominated in JPY from its investment properties located in Japan and its net investment in foreign operations denominated in JPY. The Manager limits the Group's exposure to adverse movements in foreign currency exchange rates by using forward foreign exchange contracts to hedge the distribution of net income from its investments in Japan. In addition, the Group borrows loans denominated in JPY to create a natural hedge for its JPY denominated investments and that are designated as net investment hedge. For the purpose of refinancing JPY6,250 million loans in 2014, the Group has drawn down a $75.2 million revolving credit facility and overlaid it with a cross currency interest rate swap to realign it into an effective JPY loan so as to maintain the natural hedge.

The Group's exposures to various foreign currencies (excluding the JPY denominated loans and a Singapore dollar denominated loan which was overlaid with a cross currency interest rate swap to realign it into an effective JPY loan that are designated as hedge of the Group's net investment in Japan) are shown in Singapore dollar, translated using the spot rate as at 31 December as follows:

	JPY $'000	MYR $'000	Total $'000
Group			
2015			
Trade and other receivables	1,668	19	1,687
Cash and cash equivalents	19,174	476	19,650
Trade and other payables	(25,386)	(493)	(25,879)
Deferred tax liabilities	(19,665)	(85)	(19,750)
Financial derivatives	37,808	–	37,808
Net statement of financial position exposure	13,599	(83)	13,516
2014			
Trade and other receivables	1,750	27	1,777
Cash and cash equivalents	51,336	718	52,054
Trade and other payables	(25,736)	(526)	(26,262)
Deferred tax liabilities	(11,686)	(87)	(11,773)
Financial derivatives	25,550	–	25,550
Net statement of financial position exposure	41,214	132	41,346

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

The Trust's exposures to various foreign currencies which relates primarily to its use of financial instruments are shown in Singapore dollar, translated using the spot rate as at 31 December as follows:

	JPY $'000	MYR $'000	Total $'000
Trust			
2015			
Cash and cash equivalents	21	40	61
Loans and borrowings	(413,211)	–	(413,211)
Financial derivatives	37,808	–	37,808
Net statement of financial position exposure	(375,382)	40	(375,342)
2014			
Cash and cash equivalents	7	269	276
Loans and borrowings	(412,294)	–	(412,294)
Financial derivatives	25,550	–	25,550
Net statement of financial position exposure	(386,737)	269	(386,468)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would have increased/(decreased) Unitholders' funds and the total return by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Trust	
	Statement of Total Return $'000	Unitholders' Funds $'000	Statement of Total Return $'000	Unitholders' Funds $'000
2015				
JPY	3,783	2,423	37,538	–
MYR	(31)	7	(4)	–
2014				
JPY	2,551	(1,566)	43,784	–
MYR	(66)	(13)	(27)	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

In respect to the Group, a 10% strengthening or weakening of Singapore dollar against Japanese Yen would have no significant impact to the Group as the Group borrows loans denominated in Japanese Yen and a Singapore dollar denominated loan which was overlaid with a cross currency interest rate swap to realign it into an effective JPY loan, and designated this as a net investment hedge. For the year ended 31 December 2015, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to $16.9 million loss (2014: $38.4 million gain).

As at 31 December 2015, the Group would have accounted for a gain of $3.8 million arising from its outstanding forward foreign exchange contracts (2014: $2.6 million gain) in the Statement of Total Return if there is a 10% strengthening of Singapore dollar. These forward foreign exchange contracts are used to mitigate the Group's current and future net income from Japan against the depreciation of Japanese Yen.

A 10% weakening of the Singapore dollar against the above currencies would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Exposure to interest rate risk

The Group's exposure to changes in interest rates relates primarily to the floating interest rates incurred for its loans and borrowings. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expenses could be affected by adverse movements in interest rates. The Manager adopts a policy of fixing the interest rates for at least 50% (and up to 100%) of its borrowings through the use of interest rate hedging financial instruments.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group and Trust Nominal amount	
	2015	**2014**
	$'000	**$'000**
Variable rate instruments		
Interest rate swaps	**485,846**	538,642
Cross currency interest rate swap	**75,188**	75,188
Loans and borrowings	**(589,398)**	(586,682)
	(28,364)	27,148

The Group does not have any fixed rate instruments as at 31 December 2015 and 2014.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the total return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Statement of Total Return		Unitholders' Funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group and Trust				
31 December 2015				
Loans and borrowings	(5,894)	5,894	–	–
Interest rate swaps	4,123	(4,123)	10,304	(15,680)
Cross currency interest rate swap	752	(752)	3,661	(3,873)
Cash flow sensitivity (net)	(1,019)	1,019	13,965	(19,553)
31 December 2014				
Loans and borrowings	(5,867)	5,867	–	–
Interest rate swaps	3,252	(3,252)	10,458	(12,901)
Cross currency interest rate swap	752	(752)	4,115	(4,394)
Cash flow sensitivity (net)	(1,863)	1,863	14,573	(17,295)

Capital management

The Manager reviews the Group's and the Trust's capital structure regularly and uses a combination of debt and equity to fund acquisitions and asset enhancement projects.

The objectives of the Manager are to:

(a) maintain a strong balance sheet by adopting and maintaining an optimal gearing ratio;

(b) secure diversified funding sources from financial institutions and/or capital markets; and

(c) adopt a proactive financial risk management strategy to manage financial risks related to interest rate and foreign currency fluctuations.

The Manager seeks to maintain an optimal combination of debt and equity in order to minimise the cost of capital and maximise returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted comply with these requirements.

The Group is subjected to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 35.0% of the fund's Deposited Property. The Aggregate Leverage of a property fund may exceed 35.0% of the fund's Deposited Property (up to a maximum of 60%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of the fund's Deposited Property.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

With effect from 1 January 2016, the Aggregate Leverage of a property fund should not exceed 45% of the fund's Deposited Property without requirement of credit rating and the option for a property fund to leverage up to 60% by obtaining a credit rating will be removed.

During the financial year, the Group maintained a credit rating of Baa2 from Moody's. The Aggregate Leverage of the Group as at 31 December 2015 was 35.3% (2014: 35.2%) of the Group's Deposited Property. This complied with the stipulated Aggregate Leverage limit.

During the year, the Group has complied with all externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

Determination of fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value			
	Note	Loans and receivables $'000	Designated at fair value# $'000	Other financial liabilities $'000	Fair value – hedging instruments $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2015										
Financial assets measured at fair value										
Forward foreign exchange contracts		–	2,641	–	–	2,641	–	2,641	–	2,641
Cross currency interest rate swap used for hedging		–	–	–	6	6	–	6	–	6
	6	–	2,641	–	6	2,647				
Financial assets not measured at fair value										
Trade and other receivables*	7	9,645	–	–	–	9,645				
Cash and cash equivalents	8	20,358	–	–	–	20,358				
		30,003	–	–	–	30,003				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount					Fair value			
	Note	Loans and receivables $'000	Designated at fair value# $'000	Other financial liabilities $'000	Fair value – hedging instruments $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2015										
Financial liabilities measured at fair value										
Interest rate swaps used for hedging		–	–	–	(3,045)	(3,045)	–	(3,045)	–	(3,045)
Forward foreign exchange contracts		–	(412)	–	–	(412)	–	(412)	–	(412)
	6	–	(412)	–	(3,045)	(3,457)				
Financial liabilities not measured at fair value										
Loans and borrowings	10	–	–	(589,398)	–	(589,398)				
Trade and other payables^	9	–	–	(9,461)	–	(9,461)				
Security deposits payable (net)		–	–	(19,386)	–	(19,386)				
		–	–	(618,245)	–	(618,245)				

* Excludes security deposits receivable and prepayments

^ Excludes rent received in advance

\# Designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount					Fair value			
	Note	Loans and receivables $'000	Designated at fair value# $'000	Other financial liabilities $'000	Fair value – hedging instruments $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2014										
Financial assets measured at fair value										
Forward foreign exchange contracts		–	6,402	–	–	6,402	–	6,402	–	6,402
Cross currency interest rate swap used for hedging		–	–	–	4,511	4,511	–	4,511	–	4,511
	6	–	6,402	–	4,511	10,913				
Financial assets not measured at fair value										
Trade and other receivables*	7	9,744	–	–	–	9,744				
Cash and cash equivalents	8	146,406	–	–	–	146,406				
		156,150	–	–	–	156,150				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	6	–	–	–	(2,629)	(2,629)	–	(2,629)	–	(2,629)
Financial liabilities not measured at fair value										
Loans and borrowings	10	–	–	(586,682)	–	(586,682)				
Trade and other payables^	9	–	–	(15,970)	–	(15,970)				
Security deposits payable (net)		–	–	(12,849)	–	(12,849)				
		–	–	(615,501)	–	(615,501)				

* Excludes security deposits receivable and prepayments

^ Excludes rent received in advance

\# Designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Carrying amount					Fair value			
		Loans and receivables $'000	Designated at fair value# $'000	Other financial liabilities $'000	Fair value – hedging instruments $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2015										
Financial assets measured at fair value										
Forward foreign exchange contracts		–	2,641	–	–	2,641	–	2,641	–	2,641
Cross currency interest rate swap used for hedging		–	–	–	6	6	–	6	–	6
	6	–	2,641	–	6	2,647				
Financial assets not measured at fair value										
Trade and other receivables*	7	9,390	–	–	–	9,390				
Cash and cash equivalents	8	427	–	–	–	427				
		9,817	–	–	–	9,817				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging		–	–	–	(3,045)	(3,045)	–	(3,045)	–	(3,045)
Forward foreign exchange contracts		–	(412)	–	–	(412)	–	(412)	–	(412)
	6	–	(412)	–	(3,045)	(3,457)				
Financial liabilities not measured at fair value										
Loans and borrowings	10	–	–	(589,398)	–	(589,398)				
Trade and other payables^	9	–	–	(6,691)	–	(6,691)				
Security deposits payable		–	–	(3)	–	(3)				
		–	–	(596,092)	–	(596,092)				

* Excludes security deposits receivable and prepayments

^ Excludes rent received in advance

\# Designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Carrying amount					Fair value			
		Loans and receivables $'000	Designated at fair value# $'000	Other financial liabilities $'000	Fair value – hedging instruments $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2014										
Financial assets measured at fair value										
Forward foreign exchange contracts		–	6,402	–	–	6,402	–	6,402	–	6,402
Cross currency interest rate swap used for hedging		–	–	–	4,511	4,511	–	4,511	–	4,511
	6	–	6,402	–	4,511	10,913				
Financial assets not measured at fair value										
Trade and other receivables*	7	29,578	–	–	–	29,578				
Cash and cash equivalents	8	889	–	–	–	889				
		30,467	–	–	–	30,467				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	6	–	–	–	(2,629)	(2,629)	–	(2,629)	–	(2,629)
Financial liabilities not measured at fair value										
Loans and borrowings	10	–	–	(586,682)	–	(586,682)				
Trade and other payables^	9	–	–	(6,758)	–	(6,758)				
Security deposits payable		–	–	(36)	–	(36)				
		–	–	(593,476)	–	(593,476)				

* Excludes security deposits receivable and prepayments

^ Excludes rent received in advance

\# Designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24 FINANCIAL INSTRUMENTS (CONT'D)

(a) Derivative financial instruments

The fair values of derivative financial instruments such as interest rate swaps, forward foreign currency contracts and cross currency interest rate swap are based on valuation reports from financial institutions.

(b) Floating interest-bearing borrowings

The carrying amounts of interest-bearing bank borrowings which are repriced within 3 months approximate the corresponding fair values (refer to Note 10).

(c) *Other financial assets and liabilities*

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

25 FINANCIAL RATIOS

	2015 %	2014 %
Ratio of expenses to weighted average net assets[1]		
– excluding performance component of Manager's fees	**0.85**	0.85
– including performance component of Manager's fees	**1.27**	1.27
Portfolio turnover rate[2]	**9.37**	7.30

1 The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance costs, income tax expense and foreign exchange gains/(losses).

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

26 OPERATING SEGMENTS

Segment information is presented in respect of the Group's strategic business units. For each of the reportable segments, the CEO of the Manager reviews internal management reports regularly. This forms the basis of identifying the operating segments of the Group.

Performance measurement based on segment profit before income tax and non-financial assets as well as financial assets attributable to each segment is used as the Manager believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets and expenses of the subsidiary providing financial and treasury services which were not allocated to an identified segment.

Segment capital expenditure is the total cost incurred on additions to investment properties that are expected to be used for more than one year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

26 OPERATING SEGMENTS (CONT'D)

	Hospital and Medical Centres (Singapore and Malaysia)		Nursing Homes (Japan)		Pharmaceutical Manufacturing and Distribution Facility (Japan)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses								
Gross revenue	**65,219**	63,849	**35,445**	34,389	**2,030**	2,144	**102,694**	100,382
Net property income	**61,973**	60,583	**32,091**	31,151	**1,933**	2,041	**95,997**	93,775
Interest income	**3**	–	**8**	5	**–**	1	**11**	6
Foreign exchange gain/(loss)	**(413)**	(221)	**3,192**	2,326	**313**	208	**3,092**	2,313
Non-property expenses	**(7,787)**	(7,952)	**(4,938)**	(4,517)	**(286)**	(283)	**(13,011)**	(12,752)
Finance costs	**(2,001)**	(1,141)	**(6,356)**	(6,613)	**(421)**	(501)	**(8,778)**	(8,255)
Total return before change in fair value of financial derivatives and investment properties	**51,775**	51,269	**23,997**	22,352	**1,539**	1,466	**77,311**	75,087
Net change in fair value of financial derivatives	**–**	–	**(3,596)**	33	**(488)**	3	**(4,084)**	36
Net change in fair value of investment properties	**(20,847)**	28,216	**25,092**	15,556	**1,489**	1,279	**5,734**	45,051
Gain on disposal of investment properties	**–**	–	**–**	13,674	**–**	–	**–**	13,674
Total return before income tax	**30,928**	79,485	**45,493**	51,615	**2,540**	2,748	**78,961**	133,848
Income tax expense	**(77)**	(43)	**(11,240)**	(11,955)	**(621)**	(709)	**(11,938)**	(12,707)
Total return after income tax	**30,851**	79,442	**34,253**	39,660	**1,919**	2,039	**67,023**	121,141
Assets and liabilities								
Reportable segment assets	**1,055,210**	1,072,538	**575,621**	560,832	**38,536**	35,559	**1,669,367**	1,668,929
Reportable segment liabilities	**106,445**	103,304	**506,300**	499,010	**33,463**	31,279	**646,208**	633,593
Other segment information								
Capital expenditure	**4,829**	3,901	**1,112**	1,152	**100**	6	**6,041**	5,059

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

26 OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment revenue, total return before income tax, assets and liabilities

	2015 $'000	2014 $'000
Revenue		
Total revenue for reportable segments	**102,694**	100,382
Total return before income tax		
Total return for reportable segments	**78,961**	133,848
Unallocated amounts:		
– Other corporate expenses	**(34)**	(35)
Consolidated return before income tax	**78,927**	133,813
Assets		
Total assets for reportable segments	**1,669,367**	1,668,929
Other unallocated amounts	**37**	22
Consolidated total assets	**1,669,404**	1,668,951
Liabilities		
Total liabilities for reportable segments	**646,208**	633,593
Other unallocated amounts	**9**	9
Consolidated total liabilities	**646,217**	633,602

ADDITIONAL INFORMATION

RELATED PARTY TRANSACTIONS

The transactions entered into with related parties during the financial year and which fall within the Listing Manual of the SGX-ST and the Property Funds Appendix are:

Name of related party	Aggregate value of all related party transactions during the financial year under review (excluding transactions less than $100,000) $'000
Parkway Hospitals Singapore Pte Ltd	
– Property rental income	64,668
Gleneagles Hospital (Kuala Lumpur) Sdn Bhd	
– Property rental income	387
Parkway Trust Management Limited	
– Manager's management fees	9,294
– Manager's acquisition fees	876
– Travelling expenses reimbursed to the Manager	371
HSBC Institutional Trust Services (Singapore) Limited	
– Trustee's fees	290

Except as disclosed above, there were no additional related party transactions (excluding transactions of less than $100,000 each) entered into up to and including 31 December 2015.

Out of the travelling expenses reimbursed to the Manager, non-deal roadshow expenses of $44,000 were incurred during the financial year.

Please also see Significant Related Party Transactions in Note 23 to the financial statements.

Rules 905 and 906 of the Listing Manual are not applicable if such related party transactions are made on the basis of, and in accordance with, the terms and conditions set out in the Parkway Life REIT prospectus dated 7 August 2007, and therefore would not be subjected to Audit Committee review/approval.

STATISTICS OF UNITHOLDINGS

As at 1 March 2016

ISSUED UNITS

There were 605,002,386 Units (voting rights: one vote per Unit) issued in ParkwayLife REIT as at 1 March 2016.

DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2016

No.	Name of Directors	Units Held	Units in which the Directors are deemed to have an interest
1.	Lim Kok Hoong	–	–
2.	Puah Tuan Soon Benson	250,000	–
3.	Tan Bong Lin	100,000	–
4.	Dr. Tan See Leng	–	–
5.	Dr. Lim Suet Wun	–	–
6.	Tan See Haw	–	–
7.	Rossana Annizah Binti Ahmad Rashid	–	–
8.	Yong Yean Chau	67,500	392,000

SUBSTANTIAL UNITHOLDERS AS AT 1 MARCH 2016

(Based on the Register of Substantial Unitholders maintained by the Manager)

No.	Name of Substantial Unitholders		Direct Interest	Deemed Interest
1.	Anil Thadani	Note 1	–	36,309,725
2.	Sunil Chandiramani	Note 2	473,125	35,800,000
3.	Symphony Investment Managers Limited	Note 3	–	38,485,000
4.	Symphony International Holdings Limited	Note 4	–	38,485,000
5.	Lennon Holdings Limited	Note 5	–	38,485,000
6.	Britten Holdings Pte. Ltd.	–	38,485,000	–
7.	Khazanah Nasional Berhad	Note 6	–	213,943,833
8.	Pulau Memutik Ventures Sdn. Bhd.	Note 7	–	216,815,629
9.	IHH Healthcare Berhad	Note 8	–	216,303,432
10.	Integrated Healthcare Holdings Limited	Note 9	219,215	213,724,618
11.	Parkway Pantai Limited	Note 10	–	215,978,386
12.	Parkway Holdings Limited	Note 11	–	215,978,386
13.	Parkway Investments Pte Ltd	-	213,257,000	–
14.	Mitsui & Co. Ltd.	Note 12	–	216,596,414
15.	MBK Healthcare Partners Limited	Note 13	–	216,596,414
16.	The Bank of New York Mellon Corporation	Note 14	–	42,334,900
17.	MBC Investments Corporation	Note 15	–	42,345,400
18.	BNY Mellon Investment Management (Jersey) Ltd.	Note 16	–	42,345,400
19.	BNY Mellon Investment Management (Europe) Ltd.	Note 16	–	42,345,400
20.	BNY Mellon Investment Management Europe Holdings Limited	Note 16	–	42,345,400
21.	BNY Mellon International Asset Management Group Limited	Note 16	–	42,345,400
22.	Newton Management Limited	Note 16	–	42,345,400
23.	Newton Investment Management Limited, subsidiary of The Bank of New York Mellon Corporation	–	42,345,400	–

STATISTICS OF UNITHOLDINGS

As at 1 March 2016

Note 1
(1) Anil Thadani is a substantial shareholder of Symphony Investment Managers Limited, the investment manager to Symphony International Holdings Limited ("SIHL"). Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of SIHL. Accordingly, Anil Thadani may have a deemed interest in the units held by Britten.
(2) Anil Thadani is the sole shareholder of ACTA International Ltd ("ACTA"). Accordingly, Anil Thadani has a deemed interest in the units held by ACTA.
(3) Britten and ACTA are registered holders of 38,485,000 units and 509,725 units respectively.

Note 2
Sunil Chandiramani is a substantial shareholder of Symphony Investment Managers Limited, the investment manager to Symphony International Holdings Limited ("SIHL"). Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of SIHL. Accordingly, Sunil Chandiramani may have a deemed interest in the units held by Britten.

Note 3
Symphony Investment Managers Limited ("SIML") is the investment manager to Symphony International Holdings Limited ("SIHL"). Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of SIHL. Accordingly, SIML may have a deemed interest in the units held by Britten.

Note 4
Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of Symphony International Holdings Limited ("SIHL"). Accordingly, SIHL has a deemed interest in the units held by Britten.

Note 5
Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"). Accordingly, Lennon has a deemed interest in the units held by Britten.

Note 6
Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH") and IHH is a subsidiary of Pulau Memutik Ventures Sdn. Bhd. ("PMVSB") which is in turn wholly-owned by Khazanah Nasional Berhad ("Khazanah"). Accordingly, Khazanah has a deemed interest in units held by IHHL.

Note 7
Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH") and IHH is a subsidiary of Pulau Memutik Ventures Sdn. Bhd. ("PMVSB"). Accordingly, PMVSB has a deemed interest in units held by IHHL.

Note 8
Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). Accordingly, IHH has a deemed interest in units held by IHHL.

Note 9
Parkway Pantai Limited ("PPL") is a wholly-owned subsidiary of Integrated Healthcare Holdings Limited ("IHHL"). Accordingly, IHHL has a deemed interest in units held by PPL.

Note 10
Parkway Pantai Limited's deemed interest in the units of Parkway Life REIT is by virtue of it holding more than 20 per cent of the total issued share capital of Parkway Holdings Limited.

Note 11
(1) Deemed interest in Parkway Investments Pte Ltd and Parkway Trust Management Limited, both wholly-owned subsidiaries of Parkway Holdings Limited.
(2) Parkway Investments Pte Ltd and Parkway Trust Management Limited are registered holders of 213,257,000 units and 2,721,386 units respectively.

STATISTICS OF UNITHOLDINGS

As at 1 March 2016

Note 12 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). MBK Healthcare Partners Limited ("MBKHPL"), a wholly-owned subsidiary of Mitsui & Co., Ltd. ("Mitsui"), has deemed interest in the units held by IHHL by virtue of MBKHPL holding more than 20 per cent of the total issued share capital of IHH. Accordingly, Mitsui has a deemed interest in units held by IHHL.

Note 13 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). MBK Healthcare Partners Limited ("MBKHPL") has deemed interest in the units held by IHHL by virtue of MBKHPL holding more than 20 per cent of the total issued share capital of IHH.

Note 14 The Bank of New York Mellon Corporation has a deemed interest by virtue of Section 7(4) of the Companies Act, in the interests of Newton Investment Management Limited and The Bank of New York Mellon.

Note 15 MBC Investments Corporation has a deemed interest by virtue of Section 7(4) of the Companies Act, in the interests of Newton Investment Management Limited and Mellon Capital Management Corporation.

Note 16 Each BNY Mellon Investment Management (Jersey) Ltd., BNY Mellon Investment Management (Europe) Ltd., BNY Mellon Investment Management Europe Holdings Limited., BNY Mellon International Asset Management Group Limited and Newton Management Limited has a deemed interest by virtue of Section 7(4) of the Companies Act, in the interests of Newton Investment Management Limited.

PUBLIC FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public. Based on the information made to the Manager as at 1 March 2016, approximately 50.61% of Parkway Life REIT's Units were held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

Parkway Life REIT did not hold any treasury units as at 1 March 2016.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the holders of units of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**", and the holders of units of Parkway Life REIT, "**Unitholders**") will be held at Gleneagles Hospital, Lecture Theatre, Level 3, 6A Napier Road, Singapore 258500 on Friday, 22 April 2016 at 9.30 a.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited, as trustee of Parkway Life REIT (the "**Trustee**"), the Statement by Parkway Trust Management Limited, as manager of Parkway Life REIT (the "**Manager**") and the Audited Financial Statements of Parkway Life REIT for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To re-appoint KPMG LLP as the Independent Auditor of Parkway Life REIT and to hold office until the conclusion of the next Annual General Meeting of Parkway Life REIT and to authorise the Manager to fix their remuneration. **(Ordinary Resolution 2)**

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

Singapore
31 March 2016

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Unitholder who is not a Relevant Intermediary entitled to attend and vote at the Annual General Meeting of the Unitholders of Parkway Life REIT (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the proportion of the Unitholder's unitholdings (expressed as a percentage of the whole) to be represented by each proxy.

2. A Unitholder who is a Relevant Intermediary entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the registered office of the Manager at 80 Robinson Road #02-00 Singapore 068898, not later than 9.30 a.m. on 19 April 2016, being 72 hours before the time fixed for the Meeting.

Personal Data Privacy

4. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
(constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007 (as amended))

IMPORTANT
1. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
2. A Relevant Intermediary may appoint more than one proxy to attend and vote at the Annual General Meeting (please see note 2 for the definition of "Relevant Intermediary").
3. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal data privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 March 2016.

PROXY FORM
ANNUAL GENERAL MEETING

I/We ______________________________ (Name(s) and NRIC/Passport Number(s)/

Company Registration Number) of ______________________________ (Address)

being a unitholder/unitholders of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Unitholdings (%)	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Unitholdings (%)	
			No. of Units	%

or, both of whom failing, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Annual General Meeting of Parkway Life REIT (the "**Meeting**") to be held at Gleneagles Hospital, Lecture Theatre, Level 3, 6A Napier Road, Singapore 258500 on Friday, 22 April 2016 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given herein, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any matter arising at the Meeting.

Note: The resolutions at the Meeting will be voted on by way of poll.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
	ORDINARY BUSINESS		
1.	To receive and adopt the Trustee's Report, the Manager's Statement, the Audited Financial Statements of Parkway Life REIT for the financial year ended 31 December 2015 and the Auditors' Report thereon.		
2.	To re-appoint KPMG LLP as the Independent Auditor of Parkway Life REIT and authorise the Manager to fix the Auditor's remuneration.		

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ______________ 2016.

Total number of Units held

____
Signature(s) of Unitholder(s)/Common Seal

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form:

1. A unitholder of Parkway Life REIT ("**Unitholder**") who is not a Relevant Intermediary entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the proportion of the Unitholder's unitholdings (expressed as a percentage of the whole) to be represented by each proxy.

2. A Unitholder who is a Relevant Intermediary entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A proxy need not be a Unitholder. The instrument appointing a proxy and power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited with the company secretary of Parkway Trust Management Limited (the "**Manager**") at its registered office at 80 Robinson Road #02-00 Singapore 068898, not later than 9.30 a.m. on 19 April 2016, being 72 hours before the time fixed for the Meeting, and in default of which the instrument of proxy shall not be treated as valid.

4. Completion and return of this instrument appointing a proxy or proxies ("**Proxy Form**") shall not preclude a Unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Meeting in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the Meeting.

5. A Unitholder should insert the total number of units in Parkway Life REIT ("**Units**") held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**") (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of Parkway Life REIT, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.

6. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

8. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form.

9. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by CDP to the Manager.

10. Resolutions at the Meeting will be voted on by way of poll. All Unitholders will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.

11. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

CORPORATE INFORMATION

THE MANAGER
Parkway Trust Management Limited
Company registration number: 200706697Z

REGISTERED ADDRESS
80 Robinson Road #02-00
Singapore 068898
Phone: (65) 6236 3333
Fax: (65) 6236 4399

COMPANY SECRETARIES
Ms. Chan Wan Mei, ACIS
Ms. Chan Lai Yin, ACIS

BOARD OF DIRECTORS
Mr. Lim Kok Hoong
Independent Director and Chairman

Mr. Puah Tuan Soon Benson
Independent Director

Mr. Tan Bong Lin
Independent Director

Dr. Tan See Leng
Non-Executive Director

Dr. Lim Suet Wun
Non-Executive Director

Mr. Tan See Haw
Non-Executive Director

Ms. Rossana Annizah Binti Ahmad Rashid
Non-Executive Director

Mr. Yong Yean Chau
Chief Executive Officer and Executive Director

AUDIT COMMITTEE
Mr. Tan Bong Lin
Chairman

Mr. Lim Kok Hoong
Member

Mr. Puah Tuan Soon Benson
Member

NOMINATING AND REMUNERATION COMMITTEE
Mr. Puah Tuan Soon Benson
Chairman

Dr. Tan See Leng
Member

Mr. Tan Bong Lin
Member

TRUSTEE'S REGISTERED ADDRESS
HSBC Institutional Trust Services
(Singapore) Limited
21 Collyer Quay
HSBC Building, #13-02
Singapore 049320

TRUSTEE'S CORRESPONDENCE ADDRESS
HSBC Institutional Trust Services
(Singapore) Limited
21 Collyer Quay
HSBC Building, #03-01
Singapore 049320
Fax: (65) 6534 5526

AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
Hong Leong Building #22-00
Singapore 048581
Phone: (65) 6213 3388
Fax: (65) 6225 0984
Partner-in-charge: Lee Jee Cheng Philip
(Appointed since financial year ended 31 December 2013)

UNIT REGISTRAR
Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

SGX CODE
ParkwayLife REIT[1]

1 Changed by SGX with effect from 14 April 2014

ParkwayLife REIT

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