



ParkwayLife REIT

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST 2016 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

INTRODUCTION

Parkway Life Real Estate Investment Trust (“Parkway Life REIT”) is a real estate investment trust constituted by the Trust Deed entered into on 12 July 2007 (as amended) between Parkway Trust Management Limited as the Manager and HSBC Institutional Trust Services (Singapore) Limited as the Trustee. Parkway Life REIT was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 23 August 2007 (“Listing Date”).

Parkway Life REIT is one of the largest listed healthcare REITs in Asia by asset size. It was established 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.

Parkway Life REIT owns a well-diversified portfolio of 48 properties located in the Asia-Pacific region, including three hospitals in Singapore, 44 healthcare and healthcare-related assets in Japan and strata titled units/lots in Gleneagles Intan Medical Centre, Kuala Lumpur, Malaysia. Its total portfolio size stands at approximately S\$1.7 billion as at 30 June 2016.

In Singapore, Parkway Life REIT owns the largest portfolio of private hospitals comprising Mount Elizabeth Hospital, Gleneagles Hospital, and Parkway East Hospital (collectively, the “Singapore Hospital Properties”).

In Japan, it owns one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture, as well as 43 high quality nursing home and care facility properties located in various prefectures of Japan, (collectively, the “Japan Properties”).

Parkway Life REIT’s policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined by the Manager. Since FY 2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure on existing properties.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2016 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

| | | 1H 2016 | 1H 2015 | Increase/(Decrease) | |
|---|--------------|--------------------|--------------------|----------------------------|-------------------|
| | Notes | S\$'000 | S\$'000 | S\$'000 | % |
| Gross Revenue | | 54,286 | 50,421 | 3,865 | 7.7 |
| Net Property Income | | 50,665 | 47,152 | 3,513 | 7.5 |
| Total Distributable Income to Unitholders | | 36,307 | 39,736 | (3,429) | (8.6) |
| - from operations | | 37,807 | 36,681 | 1,126 | 3.1 |
| - from distribution of divestment gains | (a) | - | 4,555 | (4,555) | n.m. ¹ |
| - amount retained for capital expenditure | (b) | (1,500) | (1,500) | - | - |
| Distribution per unit (cents) | (c) | 6.00 | 6.56 | (0.56) | (8.6) |
| Annualised distribution per unit (cents) | | 12.00 | 13.12 | (1.12) | (8.6) |
| Distribution yield (%), based on - Closing market price of S\$2.42 as at 30 June 2016 | | 4.96 | 5.42 | | (8.6) |

Note(s):

- (a) In relation to the divestment of seven Japan properties in December 2014 as announced on 26 December 2014. Divestment gains (after tax) of S\$9,110,000 have been fully distributed to Unitholders over four quarters in FY2015.
- (b) Since FY 2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure on existing properties.
- (c) In computing the Distribution per Unit ("DPU"), the number of units in issue as at the end of each period is used.

¹ The term "n.m." used throughout the financial statement and distribution announcement denotes "not meaningful".

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
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1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Total Return

| | Notes | 2Q 2016 S\$'000 | 2Q 2015 S\$'000 | Inc/ (Dec) % | 1H 2016 S\$'000 | 1H 2015 S\$'000 | Inc/ (Dec) % |
|---|-------|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|
| Gross revenue | | 27,385 | 25,648 | 6.8 | 54,286 | 50,421 | 7.7 |
| Property expenses | | (1,855) | (1,661) | 11.7 | (3,621) | (3,269) | 10.8 |
| Net property income | | 25,530 | 23,987 | 6.4 | 50,665 | 47,152 | 7.5 |
| Management fees | (a) | (2,767) | (2,585) | 7.0 | (5,464) | (5,119) | 6.7 |
| Trust expenses | (b) | (725) | (463) | 56.6 | (1,474) | (1,049) | 40.5 |
| Net foreign exchange gain | | 274 | 547 | (49.9) | 852 | 2,107 | (59.6) |
| Interest income | | - | 2 | n.m. | 2 | 9 | (77.8) |
| Finance costs | (c) | (2,584) | (2,290) | 12.8 | (5,079) | (4,382) | 15.9 |
| Non-property expenses | | (5,802) | (4,789) | 21.2 | (11,163) | (8,434) | 32.4 |
| Total return before changes in fair value of financial derivatives | | 19,728 | 19,198 | 2.8 | 39,502 | 38,718 | 2.0 |
| Net change in fair value of financial derivatives | (d) | (3,421) | 1,332 | 356.8 | (4,255) | (201) | 2,016.9 |
| Total return for the period before tax and distribution | | 16,307 | 20,530 | (20.6) | 35,247 | 38,517 | (8.5) |
| Income tax expense | (e) | (1,739) | (1,466) | 18.6 | (3,448) | (3,078) | 12.0 |
| Total return for the period after tax before distribution | | 14,568 | 19,064 | (23.6) | 31,799 | 35,439 | (10.3) |

Note(s):

- (a) Management fees comprise of the Manager's management fees and asset management fees payable to the asset managers of the Japan Properties.
- (b) Trust expenses comprise mainly of Trustee's fees, professional fees and travelling expenses.
- (c) Finance costs largely comprise of interest expense on loans, settlement on interest rate swaps that provide fixed rate funding on loans and amortisation of transaction costs of establishing debt facilities.
- (d) The Group entered into foreign currency forward contracts to hedge its net foreign income from Japan. The changes in fair value of the foreign currency forward contracts were recognised in Statement of Total Return.
- (e) Included in 2Q 2016 income tax expense is the withholding tax of S\$1.2 million (2Q 2015: S\$1.1 million) and deferred tax expense amounting to S\$0.5 million (2Q 2015: S\$0.4 million). The deferred tax was recognised in respect of the Japan investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2016 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

Distribution Statement

| | Notes | 2Q 2016 S\$'000 | 2Q 2015 S\$'000 | Inc/ (Dec) % | 1H 2016 S\$'000 | 1H 2015 S\$'000 | Inc/ (Dec) % |
|---|-------|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|
| Total return after tax before distribution | | 14,568 | 19,064 | (23.6) | 31,799 | 35,439 | (10.3) |
| Non-tax deductible/(non-taxable) items: | | | | | | | |
| Trustee's fees | | 75 | 72 | 4.2 | 148 | 144 | 2.8 |
| Amortisation of transaction costs relating to debt facilities | | 289 | 351 | (17.7) | 558 | 531 | 5.1 |
| Net change in fair value of financial derivatives | | 3,421 | (1,332) | 356.8 | 4,255 | 201 | 2,016.9 |
| Foreign exchange difference | | 41 | 208 | (80.3) | (145) | (676) | (78.6) |
| Temporary differences | (a) | 531 | 396 | 34.1 | 1,059 | 839 | 26.2 |
| Others | | 58 | (14) | 514.3 | 156 | 203 | (23.2) |
| Net effect of non-tax deductible/(non-taxable) items | | 4,415 | (319) | 1,484.0 | 6,031 | 1,242 | 385.6 |
| Rollover adjustment | (b) | (23) | - | n.m. | (23) | - | n.m. |
| Amount available for distribution to Unitholders | | 18,960 | 18,745 | 1.1 | 37,807 | 36,681 | 3.1 |
| Distribution of divestment gains | (c) | - | 2,278 | n.m. | - | 4,555 | n.m. |
| Amount retained for capital expenditure | (d) | (750) | (750) | - | (1,500) | (1,500) | - |
| Distributable income to Unitholders | (e) | 18,210 | 20,273 | (10.2) | 36,307 | 39,736 | (8.6) |

Note(s):

- (a) This relates to deferred tax expense provided on the temporary differences between the fair value and the tax written down value at the applicable income tax rate in respect of the Japan investment properties.
- (b) The rollover adjustment in 2016 represented the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Year of Assessment 2015 and had been adjusted under the rollover mechanism agreed with the IRAS.
- (c) This refers to the partial distribution of the gains arising from the divestment of seven Japan properties in December 2014 as announced on 26 December 2014. The gain is classified as capital distribution from a tax perspective. The entire divestment gains, after deducting all relevant taxes, of S\$9,110,000 has been fully distributed to Unitholders over four quarters in FY2015.
- (d) Since FY 2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure on existing properties (S\$0.75 million per quarter).
- (e) Parkway Life REIT's distribution policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined at the Manager's discretion.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2016 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| | Notes | Group 30/06/16 S\$'000 | Group 31/12/15 S\$'000 | Trust 30/06/16 S\$'000 | Trust 31/12/15 S\$'000 |
|--|-------|------------------------------|------------------------------|------------------------------|------------------------------|
| Current assets | | | | | |
| Trade and other receivables | | 9,922 | 10,385 | 9,391 | 9,398 |
| Financial derivatives | | 750 | - | 750 | - |
| Cash and cash equivalents | | 30,153 | 20,358 | 508 | 427 |
| | | 40,825 | 30,743 | 10,649 | 9,825 |
| Non-current assets | | | | | |
| Investment properties | (a) | 1,713,769 | 1,635,308 | 1,039,459 | 1,037,400 |
| Interests in subsidiaries | | - | - | 572,809 | 557,907 |
| Security deposit receivable | | 790 | 706 | - | - |
| Financial derivatives | | - | 2,647 | - | 2,647 |
| | | | | | |
| Total assets | | 1,755,384 | 1,669,404 | 1,622,917 | 1,607,779 |
| Current liabilities | | | | | |
| Financial derivatives | | 661 | - | 661 | - |
| Trade and other payables | | 18,689 | 15,729 | 11,562 | 9,191 |
| Current portion of security deposits | | 1,995 | 1,724 | 3 | 3 |
| Loans and borrowings | (b) | 9,496 | 1,000 | 9,496 | 1,000 |
| Provision for taxation | | 1 | 1 | - | - |
| | | 30,842 | 18,454 | 21,722 | 10,194 |
| Non-current liabilities | | | | | |
| Financial derivatives | | 19,031 | 3,457 | 19,031 | 3,457 |
| Non-current portion of security deposits | | 20,777 | 18,368 | - | - |
| Loans and borrowings | (c) | 651,928 | 586,188 | 651,928 | 586,188 |
| Deferred tax liabilities | | 23,236 | 19,750 | - | - |
| | | | | | |
| Total liabilities | | 745,814 | 646,217 | 692,681 | 599,839 |
| Net assets | | 1,009,570 | 1,023,187 | 930,236 | 1,007,940 |
| Represented by: | | | | | |
| Unitholders' funds | | 1,009,570 | 1,023,187 | 930,236 | 1,007,940 |
| Total equity | | 1,009,570 | 1,023,187 | 930,236 | 1,007,940 |

Note(s):

- (a) The increase in investment properties was mainly due to the acquisition of a nursing home on 31 March 2016, and appreciation of the Japanese Yen.
- (b) The increase in current term borrowings was mainly due to the drawdown of short term loan facility for working capital purposes.
- (c) The increase in long term borrowings was mainly due to the issuance of fixed rate notes to finance the property acquisition on 31 March 2016, and appreciation of the Japanese Yen.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
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1(b)(ii) Aggregate amount of borrowings

| | Group 30/06/16 S\$'000 | Group 31/12/15 S\$'000 | Trust 30/06/16 S\$'000 | Trust 31/12/15 S\$'000 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Unsecured gross borrowings | | | | |
| Amount repayable within one year | 9,496 | 1,000 | 9,496 | 1,000 |
| Amount repayable after one year | 654,049 | 588,398 | 654,049 | 588,398 |
| Less: Transaction costs in relation to the term loan and revolving credit facilities | (2,121) | (2,210) | (2,121) | (2,210) |
| | 661,424 | 587,188 | 661,424 | 587,188 |

Parkway Life REIT has Baa2 issuer rating, as well as a provisional (P)Baa2 senior unsecured rating to the S\$500 million multicurrency Medium Term Note Programme (the "MTN Programme") by Moody's, with Stable Outlook.

As at 30 June 2016, Parkway Life REIT's gearing was 37.8%, within the 45% limit allowed under the Monetary Authority of Singapore's Property Funds Appendix.

(a) **Details of borrowings and collateral**

Unsecured Borrowings

On 21 June 2016, the Group has further secured JPY6,500 million (approximately S\$85.6 million²) term loan facility to pre-emptive term out the remaining loan due in FY2017, and about 27% of loans due in FY2018.

As at 30 June 2016, post refinancing exercise, the total outstanding facilities drawn of JPY33,060 million (approximately S\$435.4 million²) and S\$175.2 million credit facilities (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 above Long Term Facilities is based on floating rate plus a margin.

In addition, Parkway Life REIT has two unsecured and uncommitted short term multi-currency facilities of S\$75 million each (the "**Short Term Facilities**") for the Group's general working capital purposes. As at 30 June 2016, the Group has drawn down S\$9.4 million for 1 month and JPY7.3 million (approximately S\$0.1 million) for about 1.5 months via the Short Term Facilities, at the bank's cost of fund.

Unsecured Medium Term Notes

Parkway Life REIT, through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (the "MTN Issuer"), has established a S\$500 million Multicurrency Medium Term Note Programme (the "MTN Programme") in 2008. Under the MTN Programme, the MTN Issuer may, subject to the compliance with all relevant laws, regulations and directives, from time to time issue notes in series or in tranches in Singapore dollars, United States dollars or any other currency (the "Notes").

The Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the MTN Issuer ranking *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the MTN Issuer. All sums payable in respect of the Notes will be unconditionally and irrevocably guaranteed by Parkway Life REIT.

As at 30 June 2016, the outstanding notes issued under the MTN Programme was JPY3,300 million (approximately S\$43.4 million²).

² Based on exchange rate of S\$1.317 per JPY100 as at 30 June 2016.

(b) **Interest Rate Swaps and Foreign Currency Forwards**

For the financing facilities put in place for the acquisitions of investment properties in Japan, the Group has entered into various interest rate swaps and fixed rate cross currency swap to hedge the floating rate loans. In addition, the Group had entered into an S\$100 million interest rate swap to hedge the interest cost for the existing S\$100 million long term credit facilities till March 2017.

The appropriate hedge accounting treatment is applied to the interest rate swaps and fixed rate cross currency swap whereby the effective portion of changes in the fair value are recognised directly in Unitholders' funds.

The Group has also entered into foreign currency forward contracts to hedge the net foreign income from Japan. As of 30 June 2016, the Group has in place Japan net income hedge till 1Q 2020. This enhances the stability of distribution to Unitholders.

The changes in fair value of the foreign currency forward contracts were recognised in the Statement of Total Return.

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1(c) Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Notes | 2Q 2016 S\$'000 | 2Q 2015 S\$'000 | 1H 2016 S\$'000 | 1H 2015 S\$'000 |
|---|------------|--------------------|--------------------|--------------------|--------------------|
| Operating activities | | | | | |
| Total return before tax and distribution | | 16,307 | 20,530 | 35,247 | 38,517 |
| Adjustments for | | | | | |
| Unrealised foreign exchange difference | | - | (9) | - | (6) |
| Interest income | | - | (2) | (2) | (9) |
| Finance costs | | 2,584 | 2,290 | 5,079 | 4,382 |
| Net change in fair value of financial derivative | | 3,421 | (1,332) | 4,255 | 201 |
| Operating income before working capital changes | | 22,312 | 21,477 | 44,579 | 43,085 |
| Changes in working capital | | | | | |
| Trade and other receivables | | 281 | 375 | 583 | 603 |
| Trade and other payables | | 874 | 725 | 774 | (1,621) |
| Security deposits | | - | (23) | 267 | 5,500 |
| Cash generated from operations | | 23,467 | 22,554 | 46,203 | 47,567 |
| Income tax paid | | (1,158) | (839) | (2,337) | (7,172) |
| Cash flows generated from operating activities | (a) | 22,309 | 21,715 | 43,866 | 40,395 |
| Investing activities | | | | | |
| Interest received | | - | 2 | 2 | 9 |
| Capital expenditure on investment properties | | (634) | (1,763) | (1,631) | (2,338) |
| Cash outflow on purchase of investment properties (including acquisition related costs) | (b) | - | (612) | (14,728) | (96,636) |
| Divestment related costs paid | | - | - | - | (1,712) |
| Cash flows used in investing activities | (c) | (634) | (2,373) | (16,357) | (100,677) |
| Financing activities | | | | | |
| Interest paid | | (2,282) | (1,912) | (4,524) | (3,817) |
| Distribution to Unitholders | | (18,089) | (19,420) | (38,478) | (36,965) |
| Proceeds from Notes Issuance | | - | - | 39,699 | - |
| Proceeds from borrowings | | 89,801 | 108,906 | 106,301 | 169,066 |
| Repayment of borrowings | | (87,405) | (101,440) | (122,791) | (195,261) |
| Borrowing costs paid | | (469) | (550) | (469) | (579) |
| Cash flows used in financing activities | (d) | (18,444) | (14,416) | (20,262) | (67,556) |
| Net increase/(decrease) in cash and cash equivalents | | 3,231 | 4,926 | 7,247 | (127,838) |
| Cash and cash equivalents at beginning of the period | | 22,667 | 18,527 | 18,543 | 144,702 |
| Effects of exchange differences on cash balances | | 2,222 | (1,307) | 2,330 | 5,282 |
| Cash and cash equivalents at end of the period³ | | 28,120 | 22,146 | 28,120 | 22,146 |

³ Cash and cash equivalents at the respective period end exclude a cash deposit of JPY154.4 million (S\$2.0 million and S\$1.7 million as at 30 June 2016 and 30 June 2015 respectively) placed with the Group by a vendor, for the purpose of Rental Income Guarantee. For more information on the Rental Income Guarantee, please refer to our announcement dated 13 July 2010 on the acquisition of five Japan properties.

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Note(s):

(a) The increase in cash flows from operating activities in 2Q 2016 is mainly due to additional operating cash flows from the existing properties, one nursing home acquired on 31 March 2016 and from the completion of the asset recycling initiative on 23 March 2015.

(b) Net cash outflow on purchase of investment properties (including acquisition related costs) is as follows:

| | 2Q 2016 S\$'000 | 2Q 2015 S\$'000 | 1H 2016 S\$'000 | 1H 2015 S\$'000 |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Investment properties | - | - | 13,944 | 92,810 |
| Acquisition related costs | - | 612 | 784 | 3,826 |
| Net cash outflow/Cash consideration paid | - | 612 | 14,728 | 96,636 |

(c) The cash outflows in investing activities in 2Q 2016 is mainly due to payment of capital expenditure on existing properties.

(d) The cash flows in financing activities in 2Q 2016 primarily arose from the payment of 1Q 2016 distribution to Unitholders.

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1(d)(i) Statement of changes in Unitholders' funds

| | Notes | Group 2Q 2016 S\$'000 | Group 2Q 2015 S\$'000 | Group 1H 2016 S\$'000 | Group 1H 2015 S\$'000 |
|---|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Unitholders' funds at beginning of period | | 1,016,183 | 1,034,651 | 1,023,187 | 1,035,349 |
| Operations Total return after tax | | 14,568 | 19,064 | 31,799 | 35,439 |
| Translation transactions Net movement in foreign currency translation reserve | (a) | (1,930) | 275 | (468) | (271) |
| Hedging reserve Net movement in hedging reserve | (b) | (1,162) | 516 | (6,470) | 1,534 |
| Unitholders' transactions Distribution to Unitholders | | (18,089) | (19,420) | (38,478) | (36,965) |
| Unitholders' funds at end of period | | 1,009,570 | 1,035,086 | 1,009,570 | 1,035,086 |

| | Notes | Trust 2Q 2016 S\$'000 | Trust 2Q 2015 S\$'000 | Trust 1H 2016 S\$'000 | Trust 1H 2015 S\$'000 |
|---|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Unitholders' funds at beginning of period | | 986,887 | 1,064,140 | 1,007,940 | 1,086,592 |
| Operations Total return after tax | | (37,400) | 35,020 | (32,756) | 29,095 |
| Hedging reserve Net movement in hedging reserve | (b) | (1,162) | 516 | (6,470) | 1,534 |
| Unitholders' transactions Distribution to Unitholders | | (18,089) | (19,420) | (38,478) | (36,965) |
| Unitholders' funds at end of period | | 930,236 | 1,080,256 | 930,236 | 1,080,256 |

Note(s):

- (a) Foreign currency translation reserve encompass the exchange differences arising on the translation of foreign controlled entities that form part of the Group's investment in the foreign entities and the gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.
- (b) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments used to hedge against cash flow variability arising from interest payments on floating rate loans.

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1(d)(ii) Details of any changes in the units

| | 2Q 2016 '000 | 2Q 2015 '000 | 1H 2016 '000 | 1H 2015 '000 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Units in issue at beginning and at end of period | 605,002 | 605,002 | 605,002 | 605,002 |

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not Applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements for the year ended 31 December 2015.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not Applicable.

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6 Earnings per unit (“EPU”) and distribution per unit (“DPU”) for the period

| | Notes | 2Q 2016 '000 | 2Q 2015 '000 | 1H 2016 '000 | 1H 2015 '000 |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| Number of units in issue at end of period | | 605,002 | 605,002 | 605,002 | 605,002 |
| Weighted average number of units for the period | | 605,002 | 605,002 | 605,002 | 605,002 |
| Earnings per unit in cents (basic and diluted) (EPU) | (a) | 2.41 | 3.15 | 5.26 | 5.86 |
| Applicable number of units for calculation of DPU | | 605,002 | 605,002 | 605,002 | 605,002 |
| Distribution per unit in cents (DPU) | (b) | 3.01 | 3.35 | 6.00 | 6.56 |

Note(s):

(a) In calculating EPU, the total return for the period after tax, and the weighted average number of units issued as at the end of each period is used. The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

(b) In computing DPU, the number of units in issue as at the end of each period is used.

7 Net asset value per unit and net tangible asset per unit based on units issued at the end of the period

| | Notes | Group 30/06/16 S\$ | Group 31/12/15 S\$ | Trust 30/06/16 S\$ | Trust 31/12/15 S\$ |
|--|-------|--------------------------|--------------------------|--------------------------|--------------------------|
| Net asset value (“NAV”) per unit | (a) | 1.67 | 1.69 | 1.54 | 1.67 |
| Adjusted NAV per unit (excluding the distributable income) | | 1.64 | 1.66 | 1.51 | 1.63 |
| Net tangible asset per unit | (a) | 1.67 | 1.69 | 1.54 | 1.67 |

Note(s):

(a) Net asset value per unit and net tangible asset per unit is calculated based on the number of units in issue as at the respective period end.

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8 Review of the performance

| | 2Q 2016 S\$'000 | 2Q 2015 S\$'000 | Inc/ (Dec) % | 1H 2016 S\$'000 | 1H 2015 S\$'000 | Inc/ (Dec) % |
|---|--------------------------------|--------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------------|
| Gross revenue | 27,385 | 25,648 | 6.8 | 54,286 | 50,421 | 7.7 |
| Property expenses | (1,855) | (1,661) | 11.7 | (3,621) | (3,269) | 10.8 |
| Net property income | 25,530 | 23,987 | 6.4 | 50,665 | 47,152 | 7.5 |
| Management fees | (2,767) | (2,585) | 7.0 | (5,464) | (5,119) | 6.7 |
| Trust expenses | (725) | (463) | 56.6 | (1,474) | (1,049) | 40.5 |
| Net foreign exchange gain | 274 | 547 | (49.9) | 852 | 2,107 | (59.6) |
| Interest income | - | 2 | n.m. | 2 | 9 | (77.8) |
| Finance costs | (2,584) | (2,290) | 12.8 | (5,079) | (4,382) | 15.9 |
| Non-property expenses | (5,802) | (4,789) | 21.2 | (11,163) | (8,434) | 32.4 |
| Total return before changes in fair value of financial derivatives | 19,728 | 19,198 | 2.8 | 39,502 | 38,718 | 2.0 |
| Net change in fair value of financial derivatives | (3,421) | 1,332 | 356.8 | (4,255) | (201) | 2,016.9 |
| Total return for the period before tax and distribution | 16,307 | 20,530 | (20.6) | 35,247 | 38,517 | (8.5) |
| Income tax expense | (1,739) | (1,466) | 18.6 | (3,448) | (3,078) | 12.0 |
| Total return for the period after tax before distribution | 14,568 | 19,064 | (23.6) | 31,799 | 35,439 | (10.3) |
| Net effect of non-tax deductible/(non-taxable) items | 4,415 | (319) | 1,484.0 | 6,031 | 1,242 | 385.6 |
| Rollover adjustment | (23) | - | n.m. | (23) | - | n.m. |
| Amount available for distribution to Unitholders | 18,960 | 18,745 | 1.1 | 37,807 | 36,681 | 3.1 |
| Distribution of divestment gains | - | 2,278 | n.m. | - | 4,555 | n.m. |
| Amount retained for capital expenditure | (750) | (750) | - | (1,500) | (1,500) | - |
| Distributable income to Unitholders | 18,210 | 20,273 | (10.2) | 36,307 | 39,736 | (8.6) |
| Distribution per Unit (cents) | 3.01 | 3.35 | (10.2) | 6.00 | 6.56 | (8.6) |
| Annualised Distribution per Unit (cents) | 12.04 | 13.40 | (10.2) | 12.00 | 13.12 | (8.6) |

2Q 2016 Vs 2Q 2015

Gross revenue for 2Q 2016 was higher than 2Q 2015 by S\$1.7 million driven primarily by contribution from one nursing home acquired on 31 March 2016, higher rent from the Singapore properties and appreciation of the Japanese Yen as compared to the same period last year.

After deducting property expenses, we have achieved a net property income of S\$25.5 million for 2Q 2016, which was S\$1.5 million higher than 2Q 2015.

The increase in management fees were mainly due to higher deposited property value and higher net property income from the properties acquired in 1Q 2015 and 1Q 2016, as well as valuation gains on the existing property portfolio, which led to a corresponding increase in deposited property.

The increase in trust expense was due to higher professional fees incurred for 2Q 2016. In the same period, the Group has recognised a realised foreign exchange gain of S\$0.3 million from the delivery of quarterly Japan net income hedge.

Higher finance costs in 2Q 2016 was mainly due to additional financing costs incurred to finance the property acquisitions in 1Q 2015 and 1Q 2016, rising interest costs for the existing SGD loan facilities, as well as appreciation of the Japanese Yen. In addition, there was higher amortisation of transaction costs due to one-off expense of the remaining un-amortised costs for the debt facility that was refinanced in 2Q 2016.

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Overall, annualised distribution per unit (DPU) of 12.04 cents for 2Q 2016 has declined by 10.2% or 1.36 cents, mainly due to the absence of one-off distribution of divestment gains, arising from the divestment of seven Japan properties in December 2014, which have been fully distributed to Unitholders over four quarters in FY2015. Excluding the one-off gain, DPU from recurring operations for 2Q 2016 has grown by 1.2% year-on-year.

1H 2016 Vs 1H 2015

Gross revenue for 1H 2016 was S\$54.3 million compared with S\$50.4 million for 1H 2015, an increase of S\$3.9 million or 7.7%. This was mainly due to revenue contribution from the Japan property acquisition in March 2016, higher yielding properties acquired from the asset recycling initiative completed in March 2015, higher rent from the existing properties and appreciation of the Japanese Yen.

Correspondingly, property expenses for 1H 2016 were S\$3.6 million, an increase of \$0.3 million or 10.8% as compared to 1H 2015. The result was a net property income of S\$50.7 million for 1H 2016, which was S\$3.5 million higher than 1H 2015.

The Manager's management fees for 1H 2016 were S\$5.5 million, an increase of S\$0.3 million or 6.7% higher than 1H 2015. This was due to higher deposited property value and higher net property income as explained earlier, fuelled by the appreciation of the Japanese Yen.

Finance costs have increased mainly due to the additional financing costs incurred to finance the properties acquired in 1Q 2015 and 1Q 2016, higher amortisation of transactional costs relating to debt facilities that were refinanced, and appreciation of the Japanese Yen as compared to the same period last year. Higher professional fees led to the increase in trust expenses.

During 1H 2016, the Group had registered a realised foreign exchange gain amounting to S\$0.7 million from the delivery of Japan net income hedges. In March 2015, the Group has also recognised a realised foreign exchange gain arising from the capital repatriation for the cash trap in Japan, which unlocked the FX gains in the foreign currency translation reserve for its earlier Japan acquisitions.

Overall, annualised DPU for 1H 2016 of 12.00 cents has declined by 8.6% or 1.12 cents as compared with 1H 2015's DPU of 13.12 cents, mainly due to the absence of the one-off capital distribution of S\$4.6 million being partial distribution of the gains arising from the divestment of seven Japan properties in December 2014 which have been fully distributed to Unitholders over four quarters in FY2015.

9 Review of the performance against Forecast/Prospect Statement

Not Applicable.

10 Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The long-term prospects of the regional healthcare industry continue to be driven by rising demand for better quality private healthcare services given the fast-ageing populations. However, in the short to medium term, Parkway Life REIT expects challenges in acquisition opportunities given the market volatility. We remain optimistic about its prospects in the longer term.

Parkway Life REIT's enlarged portfolio of 48 high-quality healthcare and healthcare-related assets places it in a good position to benefit from the resilient growth of the healthcare industry in the Asia Pacific region.

In addition, Parkway Life REIT is supported by favourable rental lease structures, where at least 93% of its Singapore and Japan portfolios have downside revenue protection and 61% of the total portfolio is pegged to CPI-linked revision formulae, ensuring steady future rental growth whilst protecting revenue stability amid uncertain market conditions.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: Second quarter distribution for the period from 1 April 2016 to 30 June 2016

| Distribution Type | Distribution Rate (cents per unit) |
|--------------------------|---|
| Taxable Income | 2.17 |
| Exempt Income | 0.35 |
| Capital Distribution | 0.49 |
| Total | 3.01 |

Par value of units: Not meaningful

Tax rate : Taxable Income Distribution

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Exempt Income Distribution

Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.

Capital Distribution

Capital distribution represents a return of capital to Unitholders for tax purposes and is therefore not subject to income tax. For Unitholders who hold the Units as trading assets, the amount of capital distribution will be applied to reduce the cost base of their Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of the Units.

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(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period: Yes

Name of distribution: Second quarter distribution for the period from 1 April 2015 to 30 June 2015

| Distribution Type | Distribution Rate (cents per unit) |
|--------------------------|---|
| Taxable Income | 2.24 |
| Exempt Income | 0.35 |
| Capital Distribution | 0.76 |
| Total | 3.35 |

Par value of units: Not meaningful

Tax Rate: **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Exempt Income Distribution

Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.

Capital Distribution

Capital distribution represents a return of capital to Unitholders for tax purposes and is therefore not subject to income tax. For Unitholders who hold the Units as trading assets, the amount of capital distribution will be applied to reduce the cost base of their Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of the Units.

(c) Book closure date: 3 August 2016

(d) Date payable: 25 August 2016

12 If no distribution has been declared/recommended, a statement to that effect.

Not Applicable.

13 If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Parkway Life REIT has not obtained a general mandate from Unitholders for interested parties transactions.

14 Certification pursuant to Paragraph 7.3 of the Property Funds Appendix

The Manager hereby certifies that in relation to the distribution to the Unitholders of Parkway Life REIT for the quarter ended 30 June 2016:

1. Parkway Life REIT will declare a distribution ("Distribution") in excess of its profits (defined as the total return for the period after tax before distribution for the purpose of this certification). The excess is mainly a result of differences between, Financial Reporting Standards ("FRS") and income tax rules, applied to certain items reported in the statement of total return;
2. The Manager is satisfied on reasonable grounds that, immediately after making the Distribution, Parkway Life REIT will be able to fulfil from its deposited property, its liabilities as and when they fall due.

Parkway Life REIT's distribution policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined at the Manager's discretion.

15 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1).

16 Confirmation pursuant to Rule 705(5) of the Listing Manual

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of Parkway Trust Management Limited (as Manager of Parkway Life REIT) which may render these unaudited interim financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors of
Parkway Trust Management Limited
(as Manager of Parkway Life REIT)

Yong Yean Chau
Chief Executive Officer and Executive Director

Lim Kok Hoong
Chairman and Independent Director

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This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition, shifts in expected levels of property rental income, changes in operating expenses, property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.

By Order of the Board
Parkway Trust Management Limited
(as Manager of Parkway Life REIT)
Company Registration No. 200706697Z

Chan Wan Mei
Company Secretary
26 July 2016

This announcement has been prepared and released by Parkway Trust Management Limited, as manager of Parkway Life REIT.

Important Notice

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**" and the units in Parkway Life REIT, the "**Units**").

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, Parkway Trust Management Limited, as manager of Parkway Life REIT (the "**Manager**"), or any of its affiliates. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of Parkway Life REIT may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Parkway Life REIT or the Manager is not necessarily indicative of the future performance of Parkway Life REIT or the Manager. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.