ParkwayLife REIT

BUILDING ON OUR STRENGTHS

ANNUAL REPORT 2016

BUILDING ON OUR STRENGTHS

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 44 properties with a total portfolio size of approximately S$1.7 billion as at 31 December 2016. 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 40 assets located in Japan, including one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture as well as 39 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

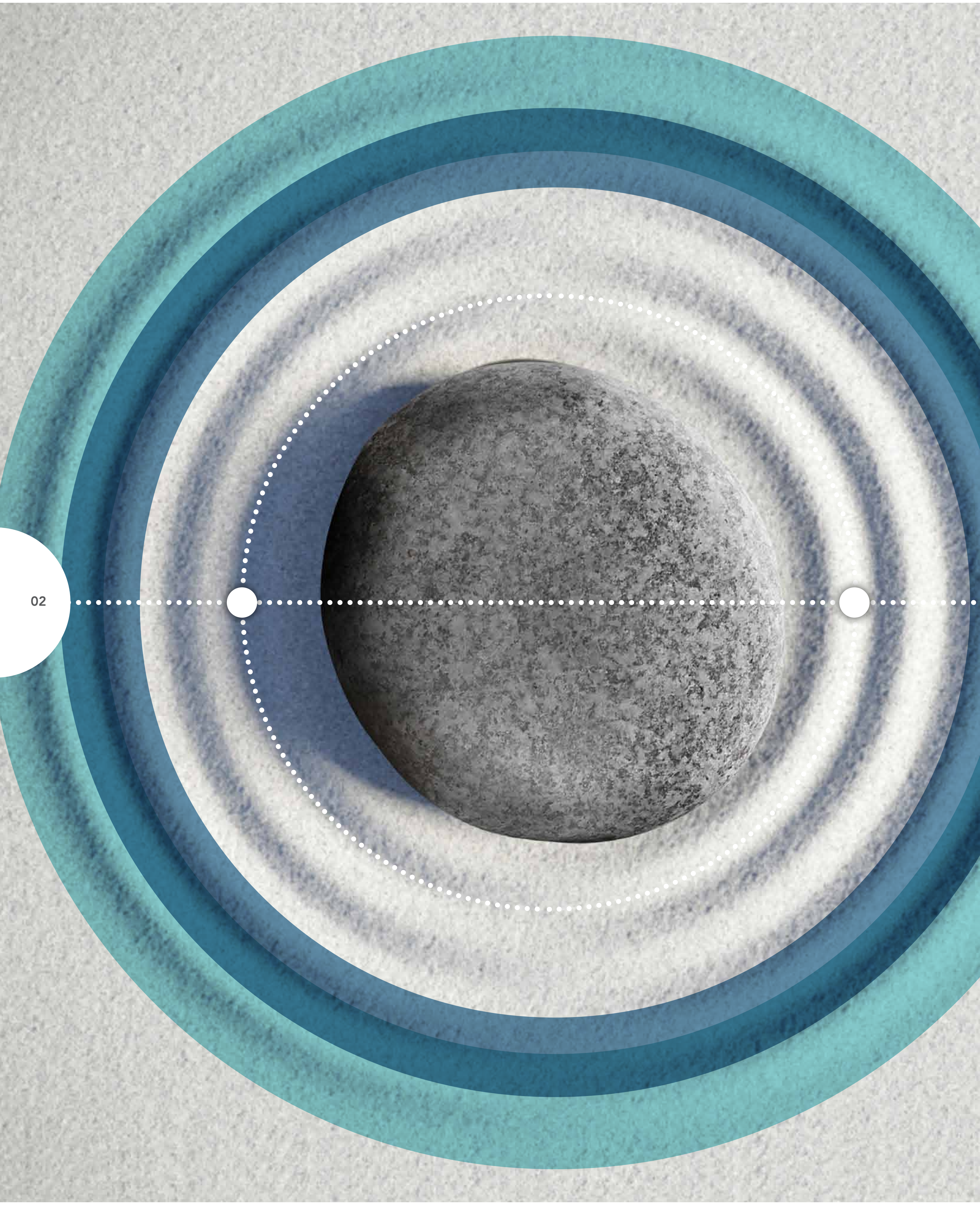
OUR VISION

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 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.



A SAFE HAVEN AMIDST MARKET VOLATILITIES

Despite the overhanging macroeconomic environment risks, PLife REIT continues to deliver consistent returns for its Unitholders with a strong DPU growth of 91.8% since IPO. Our robust fundamentals and sound financial metrics continue to underpin our performance, as we remain on track with our prudent financial and capital management strategy.

▲ DPU GROWTH SINCE IPO

91.8%

MESSAGE TO UNITHOLDERS

DEAR UNITHOLDERS,

2016 was undoubtedly a year rife with major market developments and seismic global events. Nevertheless, PLife REIT remains focused in ensuring well insulated earnings for its Unitholders as it conscientiously rejuvenates its strategies to be in a position of strength, amidst the current macroeconomic uncertainties.

A SAFE HAVEN AMIDST MARKET VOLATILITIES

"Harnessing Experience" gathered over its nine years since IPO and **"Solidifying Strength"** of its core fundamentals, PLife REIT successfully delivered yet another year of sustained growth and value to its Unitholders.

For the financial year ended 31 December 2016, PLife REIT achieved a full year Distribution per Unit ("DPU") of 12.12 cents. Excluding the one-off divestment gain[2], the DPU from recurring operations continued to increase by 2.8% in FY2016, registering a steady DPU growth of 91.8% since IPO.

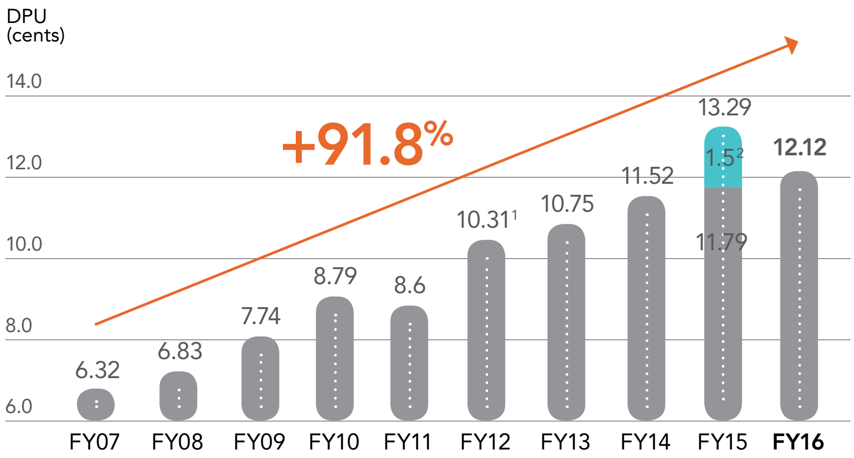
Net asset value per Unit increased to S$1.72 per Unit as at 31 December 2016, from S$1.69 per Unit a year ago.

HARNESSING EXPERIENCE

Since its inception in 2007, PLife REIT has remained dedicated to delivering value to its Unitholders. With the interplay of its various growth strategies of "Targeted Investment", "Proactive Asset Management", "Dynamic Capital and Financial Management" and "Strategic Asset Recycling", PLife REIT has consistently emerged as one of Asia's largest listed healthcare REITs by asset size.

STRONG DPU GROWTH SINCE IPO

DPU has grown steadily at a rate of 91.8% since IPO



With an unwavering belief in the long-term prospects of the Japan elderly care market since its maiden entry in 2008, PLife REIT successfully fostered strong and strategic partnerships with long-standing operators and anchored its footprint in Japan. Being a first-mover has afforded PLife REIT invaluable experience, industry know-how and the competitive edge which it continues to benefit from as it rides on the unprecedented growth of the Japan healthcare sector even as competition stiffens.

In March 2016, PLife REIT successfully acquired another quality nursing home, Silver Heights Hitsujigaoka (Ichibankan & Nibankan), strategically located in the Hokkaido prefecture in Japan. The REIT has also further diversified its tenant base through a fresh partnership with another established nursing home operator in Japan. As it continues to devote efforts in building strong landlord-lessee relationships and enhancing the value of its properties, the year also sees PLife REIT completing its ninth asset enhancement initiative ("AEI") for the Japan portfolio and fourth AEI with its largest nursing home operator, K.K. Sawayaka Club.

SOLIDIFYING STRENGTH

PLife REIT is cognisant that achieving resilience and thriving in this uncertain global economic environment demands a robust risk assessment and had during the year embarked on key initiatives towards solidifying the strengths of its core fundamentals.

Building on its proactive asset management approach, PLife REIT continuously monitors the performance of its portfolio of assets in all regions in order to sustain a quality portfolio. In December 2016, PLife REIT capitalised on the opportunity to divest four Japan properties of less strategic value at a good price as it strengthened its Japan portfolio mix. The divestment places PLife REIT in a financially nimbler position to take on greater, more yield-accretive opportunities when

1 Since FY2012, S$3.0 million per annum of amount available for distribution has been retained for capital expenditure
2 One-off divestment gain of 1.5 cents (S$9.11 million) was equally distributed in the four quarters in FY2015

they come through. In addition, it is expected to recognise an estimated divestment gain (after tax) of approximately S$5.3 million which will be equally distributed throughout the four quarters of financial year ending 31 December 2017.

The year also sees PLife REIT assiduously embarking on dynamic financial and prudent risk management to ensure that it remains well cushioned against the financial market volatility and interest rate trend. With the pre-emptive terming out of all its existing long-term debt facilities, PLife REIT reinforced its balance sheet strength with a well spread out debt maturity profile and no refinancing need till FY2019. As at 31 December 2016, PLife REIT's gearing stands at 36.3% as it continues to enjoy a low effective all-in cost of debt of 1.4%. Post the refinancing exercise completed on 4 January 2017, its weighted average debt maturity has been lengthened from 3.2 years to 3.6 years. In addition, with 99% of its interest rate exposure hedged, PLife REIT remains well-shielded from the interest rate vulnerabilities that continue to plague on.

With 37.3% of its revenue coming from its Japan portfolio, PLife REIT recognises the importance of not downplaying its associated risks to safeguard the stability of this income stream. During the year, PLife REIT's natural hedge strategy and its prudent 100% net income hedge for its Japanese currency exposure continue to serve as an effective bulwark against volatility of the Japanese Yen ("JPY"). Being put in place since PLife REIT's first acquisition in Japan in 2008, the natural hedge strategy underpins the sustainability of its stable distributions. In FY2016, PLife REIT registered a realised foreign exchange gain amounting to S$1.0 million from the delivery of Japanese Yen forward contracts. In addition, the REIT seeks to mitigate catastrophic risk as it continues to put in place a myriad of precautionary measures.

The year ended with PLife REIT solidifying its position as a leading healthcare REIT with a sharpened portfolio of 44 assets valued at approximately S$1.7 million.

LOOKING AHEAD

With residual economic uncertainties spilling over into 2017, the year ahead is expected to remain challenging for most. The long-term prospects of the regional healthcare industry continue to be robust due to rising demand for better quality healthcare services driven by fast-ageing population.

2017 is set to be an exciting year for PLife REIT as it marks its entry into its tenth year since IPO. With a bevy of partnerships with a range of established operators in the region and deep experience in this sector, PLife REIT remains well positioned to ride on the back of strong growth in the healthcare sector as it remains vigilant in screening for compelling investment opportunities.

As PLife REIT strives forward from its base of accumulated strength, it endeavors to continue building on its sound fundamentals and defensive position to deliver sustained returns to its Unitholders.

EXTENDING APPRECIATION

We wish to extend our sincere appreciation to our Board members for their invaluable advice and contributions. We would also like to express our gratitude for three of our directors, Mr. Puah Tuan Soon Benson, Mr. Tan Bong Lin and Mr. Tan See Haw who have retired from the Board with effect from 30 June 2016, 21 October 2016 and 28 February 2017 respectively.

We are also pleased to welcome Mr. Ho Kian Guan, Dr. Jennifer Lee Gek Choo and Mr. Low Soon Teck. Mr. Ho had previously been the Director of Parkway Holdings Limited/ Parkway Pantai Limited from 1985 to 2013 while Dr. Lee was the Chief Executive Officer of KK Women's and Children's Hospital from 1991 to 2004, most recently serving as a Senior Consultant with the Ministry of Health's Ageing Planning Office from 2007 to 2015. Mr. Low has been serving as the Group Chief Financial Officer of IHH Healthcare Berhad since January 2016. Prior to that, he held Chief Financial Officer roles at PACC Offshore Services Holdings Group and RCMA Group. We are confident that their 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, we want to express our sincerest gratitude to our Unitholders, business partners and lessees for their lasting confidence and support.

The strength and resiliency that PLife REIT has achieved over the years would not have been possible without the support from Unitholders like you.

LIM KOK HOONG
Chairman

YONG YEAN CHAU
Chief Executive Officer and Executive Director

CORPORATE **DEVELOPMENT**

"Harnessing experience, solidifying strength" exemplifies PLife REIT's strategic dedication in 2016 as it worked towards strengthening the core fundamentals of the REIT to enhance earnings resiliency as macroeconomic uncertainties persist.

Through its various key initiatives rolled out during the year, PLife REIT continued on its stable growth trajectory with a 91.8%[1] increase in DPU since its IPO in 2007.

As PLife REIT approaches its tenth year anniversary since listing, this solidified foundation will serve well in maintaining its defensive position to weather the continual market volatilities.

Silver Heights Hitsujigaoka (Ichibankan & Nibankan)

STRENGTHENING THE JAPAN PORTFOLIO

Home to our aged care assets, Japan remains an important market for PLife REIT. Since its maiden entry into Japan in 2008, PLife REIT's sound track record and deep experience in the aged care sector has fostered strong, strategic partnerships with a number of operators.

In line with PLife REIT's commitment to create greater synergy in Japan, PLife REIT looks to extend its footprint in its core market. In March 2016, PLife REIT acquired another nursing home property, Silver Heights Hitsujigaoka (Ichibankan & Nibankan), in the Hokkaido prefecture for JPY1.1 billion (approximately S$13.6 million[2]). The Property is well located in the residential neighbourhood within Sapporo City, capital city of Hokkaido prefecture. It is on a fresh 20-year master lease arrangement which further enhances the sustainability of the REIT's returns from its Japan portfolio. The acquisition also marked the start of a partnership with another established nursing home operator in Japan, further diversifying its tenant base.

Silver Heights Hitsujigaoka (Ichibankan & Nibankan)

As PLife REIT seeks to strengthen the quality of its portfolio with each new acquisition, it also recognises the need to conscientiously monitor the performance of its portfolio. To maintain its competitive position, assets deemed to be a less strategic fit will be identified for divestment. In line with this approach, PLife REIT divested four of its Japan nursing homes at JPY3.72 billion (approximately S$48.9 million[3]) to Fortress Japan Investment Holdings LLC in December 2016:

- Bon Sejour Ibaraki, located at Ibaraki City, Osaka Prefecture
- Legato Higashi Sumiyoshi, located at Osaka City, Osaka Prefecture
- Legato Katano, located at Katano City, Osaka Prefecture
- Royal Residence Gotenyama, located at Hirakata City, Osaka Prefecture

Leveraging on its first mover advantage, PLife REIT remained well placed as it capitalised on the opportunity to divest the properties at a good price while strengthening its Japan portfolio mix. With the divestment, PLife REIT is expected to recognise an estimated divestment gain (after tax) of S$5.3 million. As PLife REIT approaches expansion opportunities in a disciplined manner, proceeds from the divestment will provide greater financial flexibility for it to acquire other attractive assets so as to deliver better value to its Unitholders amidst the volatile environment.

1 Since IPO till YTD 4Q 2016
2 At an exchange rate of S$1.00 = JPY81.00 per announcement release on 24 March 2016
3 At an exchange rate of S$1.00 = JPY76.00 per announcement release on 22 December 2016


Sawayaka Kiyotakan

Complementing its efforts to build an optimal portfolio mix, PLife REIT stayed committed during the year in building good landlord-tenant relationships. Working hand in hand with its strategic operators in driving the performance of its existing assets, PLife REIT completed its 9th Asset Enhancement Initiative ("AEI") for its Japan portfolio during the year. Upon completion of the AEI at its Japan nursing home property, Sawayaka Kiyotakan, rent for this property increased by 4.7% for the remaining lease term of approximately 17 years with effect from 26 July 2016. This AEI, being the fourth one rolled out with its largest nursing home operator, K.K. Sawayaka Club, cemented the valued relationship PLife REIT holds with its tenant.

PRUDENT FINANCIAL AND RISK MANAGEMENT

PLife REIT's proven financial and risk management strategy has underpinned its sustainable returns over the years. Not resting on its laurels, PLife REIT keenly embarked on various initiatives during the year to ensure that the REIT remains in a good position to cope with the continued unpredictability.

To strengthen the balance sheet, PLife REIT pre-emptively termed out existing maturing loans, with no immediate long-term loan refinancing needs till 2019. Through careful calibration of the loan maturity of each new facility which ranges from four to six years, optimal pricing and a better spread out debt maturity profile was secured. Post refinancing exercise in January 2017, PLife REIT's weighted average debt term to maturity improved from 3.2 years to 3.6 years with no significant amount of loan due in any single year.

During the year, PLife REIT issued its maiden JPY-denominated unsecured Fixed Rate Notes of JPY3.3 billion (approximately S$40.7 million[4]) at a competitive pricing for a 6-year debt tenor of 0.58% per annum (the "Notes Issue"). Seizing a window of opportunity, PLife REIT was able to capitalise on the tightened credit spread of the JPY bond by domestic bond investors given the flush of liquidity in Japan and diversified away from bank facilities which reigned as the REIT's sole source of debt funding. While banks continue to be PLife REIT's core funding source, the ability to tap into the JPY bond market and even command a rarity premium as a new credit issuer in the Japan market opens up an alternative financing mode for PLife REIT going forward. With the Notes Issue denominated in JPY, it serves as a natural hedge for PLife REIT's Japanese assets, mitigating any foreign exchange risk.

In addition, with expectations of interest rate hikes by the US Federal Reserve and changing monetary policy across markets, PLife REIT continued to take on a conservative and proactive approach in managing its interest rate and foreign exchange risks during the year. With its interest rate hedge ratio enhanced from 95% to 99%, PLife REIT will remain resilient in the face of a rising interest rate environment. Cognisant of its Japan exposure, the net income hedges that PLife REIT secured for its Japan portfolio till 1Q 2020 will continue to serve as an effective shield against JPY currency fluctuations.

These proactive initiatives further weatherproof PLife REIT's debt structure and fortified the quality of its distributions. Armed with an investment grade rating of 'Baa2' by Moody's with stable outlook, PLife REIT continues to enjoy strong access to capital. With a healthy gearing at 36.3% and low all-in cost of debt at 1.4% as at 31 December 2016, its strong balance sheet and debt headroom ensure that PLife REIT remains nimble to harness the growth opportunities in the region.


Sawayaka Kiyotakan

4 At an exchange rate of S$1.00 = JPY81.00 per announcement release on 29 March 2016

MARKET REVIEW AND OUTLOOK

GLOBAL MARKET VOLATILITY AND UNCERTAINTY

2016 was characterised by increased levels of uncertainty and volatility across global markets primarily due to international geopolitical developments. With the US election and Brexit vote heavily contributing to market movements, PLife REIT remained resilient, performing in line with forecasts, strengthening its portfolio and maintaining its strong balance sheet.

Economic forecasts for 2017 were revised downwards, largely attributable to weak growth in advanced economies and stronger headwinds for emerging market and developing economies[1].

Global indices started the year from a low base of sentiment as concerns over surplus energy supply, Chinese growth and US interest rate hikes continue to rattle markets. The UK's vote to leave the European Union in June surprised global financial markets and dragged sterling to a 31-year low. However, the FTSE100 equity index finished the year up 14%[2] at an all-time high, lifted by improved investor sentiment towards multi-national companies whose earnings are denominated in foreign currencies which have appreciated against the weakened Sterling. Meanwhile, the US experienced its seventh year of economic recovery following the financial crisis, albeit with anaemic growth. However, the presidential election fuelled widespread market uncertainty. Further concerns regarding a move towards heightened protectionism were intensified by Italy's constitutional referendum, and with key elections in Germany, France and the Netherlands in 2017, the Eurozone outlook remains unsettled.

In Asia, China's long period of exceptionally high growth rates averaging 10% has slowed to a lower, albeit more sustainable 7% since 2015. In 2016, the China economy continued its slowdown as it rebalanced its economy away from investment and exports, shifting towards consumption as its main growth driver[3]. Japan struggled with the strength of the yen throughout the year, despite the increase in bond yields in the latter months[4]. That said, low Japanese interest rates benefited PLife REIT's asset recycling strategy, providing opportunities to enhance the overall resiliency of its Japan portfolio amidst the challenging macroeconomic environment.

The Singapore Exchange came under pressure as neighbouring countries including Malaysia continued to

1 World Bank Group (2017, January). Global Economic Prospects, Global Outlook
2 FTSE 100 share index ends 2016 at an all-time record high. (30 December 2016). Retrieved 10 January 2017, from Sky News: http://news.sky.com/story/ftse-100-share-index-ends-2016-at-an-all-time-record-high-10711892
3 Dizioli, A., Guajardo, J., Klyuev, V., Mano, R. and Raissi, Mehdi. (2016, August). Spillovers from China's Growth Slowdown and Rebalancing to the ASEAN-5 Economies
4 Takita, Y. (2016, October 21). Strong yen slowly unwinds, cheering Japan exporters. Retrieved 2 February 2017, from Nikkei Asian Review: http://asia.nikkei.com/Markets/Currencies/Strong-yen-slowly-unwinds-cheering-Japan-exporters

utilise their own exchanges for IPOs, and mainland Chinese groups opted to list in Hong Kong, replacing New York as the world's biggest IPO market raising $33.7 billion[5]. On the other hand, Singapore's REIT market swelled with increase in investor appetite for well regulated, stable yielding opportunities.

Markets sighed relief as oil surged to over $50, buoyed by the OPEC summit agreement to reduce daily output, and cutbacks in exploration spend. In December, the US Federal Reserve unanimously voted in favour of raising interest rates, and has since signalled more hikes to come in 2017[6]. With rate rises considered to be largely priced in to the Singapore REIT market, PLife REIT remains defensively well positioned against further Fed hikes[7].

In addition, PLife REIT's medium to long-term prospects continue to be underpinned by the rising demand for better quality private healthcare services given the fast-ageing population.

REIT MARKET REVIEW

Amidst global volatility, REITs are increasingly becoming a safe haven for investors as a source of diversified income. Global market capitalisation is now estimated at US$1.7 trillion, having more than doubled from US$734 billion in 2010[8].

Market capitalisation has been continuously on the climb for the Japan REIT market since late 2011. As of June 2016, Japan has become the second largest REIT market in the world with a total market capitalisation of US$112 billion[9]. Meanwhile, tax and regulatory legislation continues to challenge both China and India's progress in entering the REIT market as significant players, although broader frameworks are now in place.

The resilience of the Singapore REIT market was made apparent as the FTSE ST REIT Index provided greater returns when compared against other highly defensive stocks (e.g. telecommunications and utilities). However, S-REITs were not immune to major global events as it was spooked in January by the significant sell-off in the Chinese stock market. The market then showed signs of recovery as Brexit buoyed global

5 Vasagar, J. (2016, June 21). US assets set to form larger part of Singapore Reits market. Retrieved 11 January 2017, from Financial Times: https://www.ft.com/content/661da7a2-3781-11e6-a780-b48ed7b6126f
6 Saphir A. and Lange J. (2017, January 6). In sign of more hawkish Fed, Evans nods to three rate hikes. Retrieved January 10 2017, from Reuters: http://www.reuters.com/article/us-usa-fed-idUSKBN14Q2AK
7 UOB KayHian. Pandey, V. and Chang, D. Regional Morning Notes. 4 January 2017
8 EY Publication. Roth, H. and Kaspar, M. Global Perspective: 2016 REIT Report
9 EY Publication. Roth, H. and Kaspar, M. Global Perspective: 2016 REIT Report

MARKET REVIEW AND OUTLOOK

sentiments on lower interest rates, only to plunge again following the result of the US presidential election. Following the Fed rate rise, the S-REIT index lost a further 3.6% [10] in anticipation of further hikes. Yet amidst global discontent, PLife REIT continued to offer investors stability and resilience with its long average lease expiry profile and downside protected Singapore rent structure. Whilst Singapore faces a weak economic outlook with GDP growth forecasts slashed to 1.4% [11], there is a sense of cautious optimism for the S-REIT market as its resilient yields have made them a safe haven [12]. In spite of market volatility, S-REITs have elevated its poor performance in 2015 to become this year's best performer [13], retaining its place as the third largest REIT market in the region [14]. In the property space, more than 70% of the REITs in Singapore have portfolios comprising offshore assets, a number that is expected to continue to grow given the country's land shortage. There are also encouraging signs of an increasingly sophisticated and receptive foreign investor base to support the Singapore REIT market.

ENCOURAGING HEALTHCARE MARKET FUNDAMENTALS

The implementation of public healthcare programmes continues to be a policy agenda priority for governments internationally. While the Asia-Pacific economy is experiencing a slowdown, ageing populations coupled with rising private wealth are expected to increase healthcare expenditure in

10 Meixian, L. (2016, December 27). Reits still offer refuge from global volatility. Retrieved 2017, January 12, from Business Times: http://www.businesstimes.com.sg/companies-markets/outlook-review-2016/reits-still-offer-refuge-from-global-volatility

11 Yan Min, C. (2016, December 14). Private economists slash forecasts for Singapore GDP growth to 1.4% for 2016, 1.5% for 2017: MAS survey. Retrieved 2017, January 11, from Straits Times: http://www.straitstimes.com/business/economy/private-economists-slash-forecasts-for-gdp-growth-to-14-for-2016-15-for-2017-mas

12 Yeo, R. (2016, September 1). S-Reits a safe haven in hunt for yield. Retrieved 2017, January 10, from Business Times: http://www.businesstimes.com.sg/companies-markets/s-reits-a-safe-haven-in-hunt-for-yield

13 Singapore Reits offer highest dividend yields among developed markets. (2016, October 16). Retrieved from Straits Times, 2017, January 10: http://www.straitstimes.com/business/companies-markets/singapore-reits-offer-highest-dividend-yields-among-developed-markets?login=true

14 EY Publication. Roth, H. and Kaspar, M. Global Perspective: 2016 REIT Report

The number of Singaporeans aged above 65 has doubled to 440,000 since 2005, and this figure is expected to double again by 2030[17]. This will inevitably lead to a spike in healthcare needs. The Government's budget allocation for healthcare has also increased over the past ten years by over 400% to S$11 billion[18] annually.

Ageing demographic is also one of the major trends observed in Japan, where the country's recently conducted census revealed that the number of people aged 65 and above had grown 3.7% since 2011[19]. These metrics suggest an overwhelming requirement for long-term private healthcare, which PLife REIT is ideally positioned to benefit from. With its portfolio of nursing homes in Japan, PLife REIT continues to benefit from its first mover advantage in the country, through its asset enhancement initiatives and a strong emphasis on partnerships with reputable healthcare operators.

Despite Singapore's healthcare facilities still being widely recognised for its high quality by its neighbours, the soaring healthcare costs in the country has led to a decline in tourist treatment receipts since 2012[20].

As cost-competitive neighbouring countries such as Malaysia invest considerable funds in upgrading their own facilities to meet increasing demand, this could potentially have a negative impact on medical tourism in Singapore in the longer run.

the region by an average of 6.6% per annum between 2015 and 2019[15].

Continuing to offer its Unitholders stable revenue, PLife REIT remains committed to the Singapore and Japanese markets that are underpinned by strong demographic indicators supporting private healthcare growth.

As Singapore continues to grow its population size to reach 5.6 million[16], the proportion of elderly among the population is also on an upward trend.

15 Deloitte. 2016 Global Health Care Outlook: Regional and country perspectives. Accessed 2017, January 11

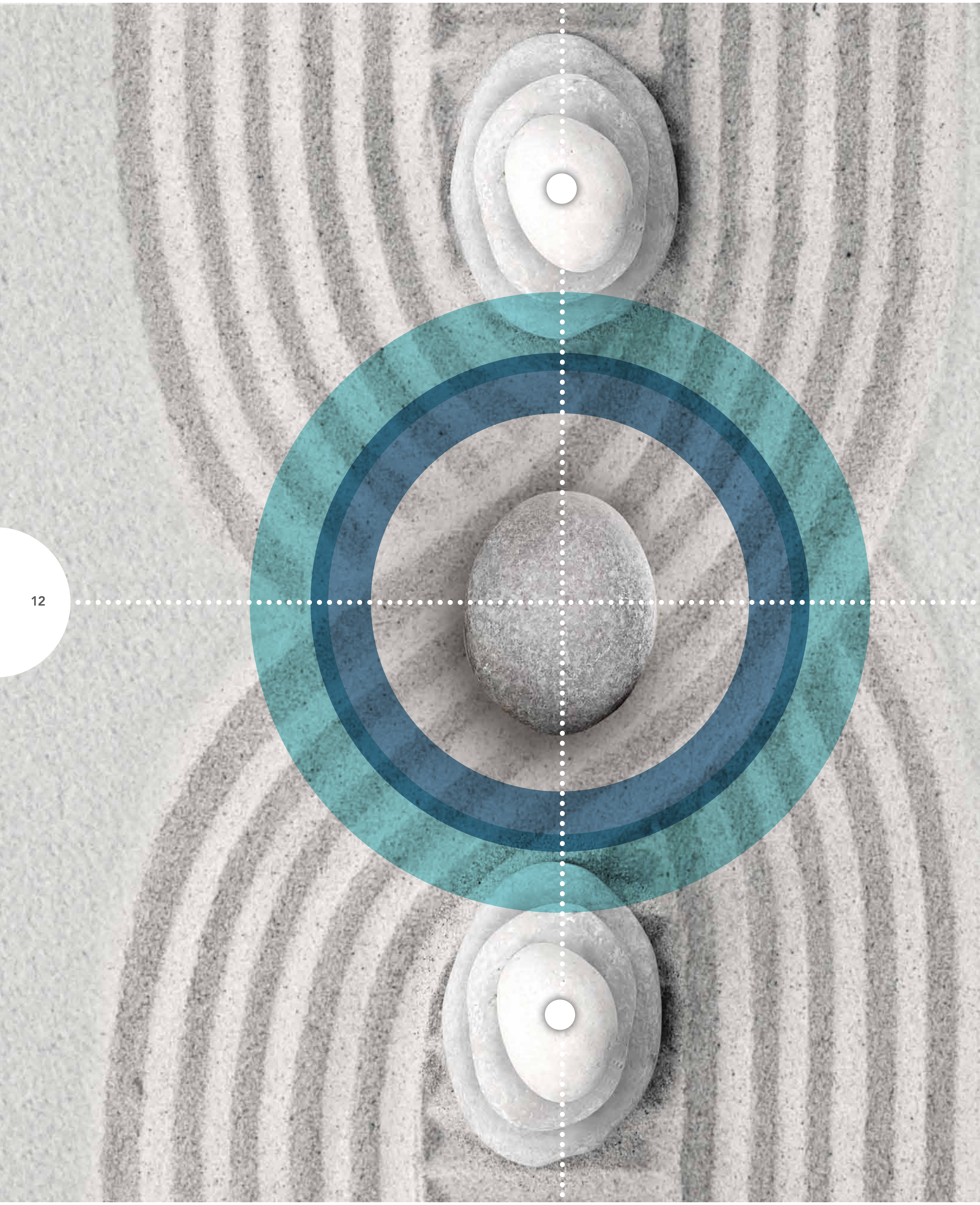
16 Department of Statistics, Singapore. Population Trends 2016. Retrieved 2017, January 12 from: http://www.singstat.gov.sg/docs/default-source/default-document-library/publications/publications_and_papers/population_and_population_structure/population2016.pdf

17 Older Singaporeans to double by 2030. Population SG. Retrieved 2017, 11 January from: https://population.sg/articles/older-singaporeans-to-double-by-2030

18 Lim, J (2016, December 29). Rethinking how Singapore can meet the challenge of healthcare financing. Retrieved 2016, January 12, from Today Online: http://www.todayonline.com/daily-focus/health/rethinking-how-singapore-can-meet-challenge-healthcare-financing

19 Yoshida, R. (2016, June 29). Japan census report shows surge in elderly population, many living alone. Retrieved 2016, January 12, from Japan Times: http://www.japantimes.co.jp/news/2016/06/29/national/japan-census-report-shows-surge-elderly-population-many-living-alone/#.WHgk8VN9601

20 Lai, L. (2016, October 17). Singapore's medical tourism ambitions under threat. Retrieved 2016, January 11, from The Straits Times: http://www.straitstimes.com/singapore/health/medical-tourism-ambitions-under-threat



HARNESSING EXPERIENCE

Our first mover advantage in Japan, coupled with the deep expertise that our Board and Management bring to the table, allows us the edge and experience that we are able to bring forth for our growth plans moving forward. With close to a decade of expertise and experience under our belt, we seek to seize opportunities in other markets where appropriate.

▲ NUMBER OF ASSETS

44

BOARD OF DIRECTORS

1

2

3

4

1. MR. LIM KOK HOONG

Independent Director, Chairman of the Board of Directors and Chairman of the Audit Committee

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).

2. DR. JENNIFER LEE GEK CHOO

Independent Director and Chairman of the Nominating and Remuneration Committee

Dr. Jennifer Lee is Chairman of the Agency for Integrated Care, and of the Advisory Board of the Lien Centre for Palliative Care, and serves on the boards of Ministry of

Health Holdings and The Esplanade Company Ltd.

Dr. Lee was the Chief Executive Officer of KK Women's and Children's Hospital from 1991 to 2004. Before joining KK Hospital, Dr. Lee was the Chief Operating Officer of Singapore General Hospital from 1988 to 1991 during the period of its corporatisation, and prior to that had served in the Ministry of Health in various portfolios. Her most recent work has been in development of the ageing sector, as Senior Consultant with the Ministry of Health's Ageing Planning Office from 2007 to 2015.

Dr. Lee graduated with a medical degree in 1976 from the University of Singapore, and obtained her Masters in Business Administration from the National University of Singapore in 1986.

3. MR. HO KIAN GUAN
Independent Director

Mr. Ho is the Executive Chairman of Keck Seng (Malaysia) Berhad since 1970 and also of Keck Seng Investments (Hong Kong) Limited since 1979. He is also a Non-Executive Director of Shangri-la Asia Limited since 1993 and is a member of the Shangri-la Audit Committee. He was previously the Director of Parkway Holdings Limited/Parkway Pantai Limited from 1985 to 2013 and was the Chairman of the Tender Committee.

Mr. Ho graduated with a Bachelor's degree in Business Administration and Commerce from Nanyang University, Singapore in 1965.

4. DR. TAN SEE LENG
Non-Executive Director

Dr. Tan See Leng is the Managing Director and Chief Executive Officer of IHH Healthcare Berhad (IHH). He provides strategic direction and leadership for overall operations within IHH and its largest operating subsidiary, Parkway Pantai. Under his stewardship, IHH has grown its footprint to more than 50 hospitals in 10 countries worldwide.

He 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.

A passionate supporter of improving healthcare provision through innovations and private-public collaboration, Dr. Tan has guest lectured at the Harvard Business School's healthcare management seminar series. He also provided advisory inputs to Singapore Ministry of Health on the Medishield Life Review Committee and other government agencies such as Department of Health, National Health Services (United Kingdom).

Dr. Tan maintains active involvement in academia through board memberships and appointments such as Adjunct Assistant Professor of Duke-NUS Graduate Medical School Singapore, Office of Education and Advisory Board of Lee Kong Chian School of Business at Singapore Management University.

BOARD OF DIRECTORS

5

6

7

8

5. DR. LIM SUET WUN

Non-Executive Director

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

Dr. Lim has more than 30 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 this role, he was substantively involved with the Nanyang Technological University (NTU) and Imperial College (London) collaboration, to form the NTU Lee Kong Chian School of Medicine. Dr. Lim was also the Chairman of the Future Health Care Peak of Excellence Governance Coordinating Committee in NTU. 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 organisation. 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).

6. MS. ROSSANA ANNIZAH BINTI AHMAD RASHID

Non-Executive Director

Ms. Rossana Annizah binti Ahmad Rashid was appointed as Non-Executive Director of Parkway Trust Management Limited, an indirect wholly-owned subsidiary of IHH Healthcare Berhad. Parkway Trust Management Limited manages Parkway Life Real Estate Investment Trust which is listed on the Singapore Exchange Securities Trading Limited. She also serves on the Board and certain Board Committees of IHH Healthcare Berhad and its subsidiaries, namely Parkway Pantai Limited and Acibadem Sağlik Yatırımları Holding A.Ş. Group.

Ms. Rossana concurrently serves as a member of the Investment Panel and the Investment Panel Risk Committee of Malaysia's Employees Provident Fund. In 2016, she was appointed Country Chairman of the Jardine Matheson Group of Companies in Malaysia. Subsequently she joined the Board of Cycle & Carriage Bintang Berhad, a member of the Jardine Matheson Group, as Non-Independent Non-Executive Director.

Prior to her current roles, Ms. Rossana is a career professional holding leadership positions in the telecommunications and banking sectors. She previously served in various senior management roles with TIME dotCom Berhad, Maxis Berhad and RHB Bank Berhad, after beginning her banking career with Citibank Malaysia. With a combined 28 years of experience, Ms. Rossana has broad experience in business strategy, identifying sustainable monetisation models, understanding customers and competition, as well as the need for reviewing monetisation models focusing on both revenue management and cost management.

Ms. Rossana graduated in Bachelor of Arts in Banking and Finance from Canberra College of Advanced Education, Australia (now known as University of Canberra).

7. MR. LOW SOON TECK

Non-Executive Director

Mr. Low Soon Teck, practised as a solicitor in Singapore at a boutique firm from 1991 to 1993, focusing on corporate and banking laws. Mr. Low then joined the Kuok/Kerry Group in 1994, based in Hong Kong holding various senior positions in different businesses within the Kuok/Kerry Group including as the Director of China Operations at SCMP Group, publisher of the South China Morning Post, where he was responsible for business development, newspaper publishing and circulation operations, and managing a chain of retail convenience stores.

Mr. Low relocated to Singapore in 2005, as the Group Financial Controller of Kuok Oils and Grain Pte Ltd, which was subsequently merged with Wilmar International Limited in 2006. At Wilmar International Limited, he held the position of Group Treasurer until 2009. He was then appointed Chief Financial Officer of PACC Offshore Services Holdings Group, the offshore marine arm of the Kuok/Kerry Group. In 2013, he joined RCMA Group, a commodities supply chain management company as Chief Financial Officer, a position that he held until 2015. He has over 20 years of experience in finance, legal and general management at leadership roles.

Mr. Low assumed the position of Group Chief Financial Officer of IHH Healthcare Berhad on 10 January 2016.

Mr. Low graduated from the National University of Singapore and is admitted to the Singapore Bar. Mr. Low obtained his Masters in Business Administration from the University of Chicago, Booth School of Business. He is also a member of Law Society of England and Wales.

8. 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	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: 69 Appointed On: 05/07/2007	Non-Executive/ Independent Director, Chairman of Board of Directors and Chairman of the Audit Committee	Bachelor of Commerce, Chartered Accountant, Australia, CPA Singapore	Director of Genting Singapore PLC Director of Global Logistics Properties Ltd Director of Sabana Real Estate Investment Management Pte. Ltd. Director of YTL Starhill Global REIT Management Limited Audit Committee member of Agency for Science Technology and Research Director of Hoe Leong Corporation Ltd (retired on 30 October 2014) Director of Interplex Holdings Ltd (resigned on 22 May 2015)
Dr. Jennifer Lee Gek Choo Age: 64 Appointed On: 30/06/2016	Non-Executive/ Independent Director/Chairman of Nominating and Remuneration Committee, Member of Audit Committee	MBBS, National University of Singapore MBA, National University of Singapore	Director of The Gentle Warriors Trust Ltd Director of The Esplanade Co Ltd Director of Ministry of Health Holdings Chairman of Agency for Integrated Care Pte Ltd Director of Bumrungrad International Ltd
Ho Kian Guan Age: 71 Appointed On: 21/10/2016	Non-Executive/ Independent Director, Member of Audit Committee and Member of Nominating and Remuneration Committee	Business Administration and Commerce	Executive Chairman of Keck Seng Investments (Hong Kong) Limited Executive Chairman of Keck Seng (Malaysia) Berhad Non-Executive Director of Shangri-la Asia Limited
Dr. Tan See Leng Age: 52 Appointed On: 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 Member of the MediShield Life Review Committee for Ministry of Health, Singapore Council Member, NUS President's Advancement Advisory Council
Dr. Lim Suet Wun Age: 57 Appointed On: 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 Parkway Group Healthcare Pte. Ltd. Director of GHK Hospital Limited Director of FWD Singapore Pte Ltd (formerly known as Shenton Insurance Pte Ltd – resigned on 31 May 2016)
Rossana Annizah Binti Ahmad Rashid Age: 51 Appointed On: 16/11/2015	Non-Executive Director	Bachelor of Arts in Banking and Finance, University of Canberra Australia	Independent Non-Executive Director of IHH Healthcare Berhad Director of Parkway Pantai Limited Member of Investment Panel of the Malaysia Employees Provident Fund (EPF) Member of Investment Panel Risk Committee of EPF Director and Group Country Chairman of Jardine Matheson Sdn Bhd Alternate Director of Asas Klasik Sdn Bhd Non-Independent Non-Executive Director/ Deputy Chairman of Cycle & Carriage Bintang Berhad Independent Non-Executive Director of edotco Group Sdn Bhd Director of Jardine Lloyd Thompson Sdn Bhd Director of Acibadem Sağlik Yatırımları Holding A.Ş.
Low Soon Teck Age: 52 Appointed On: 28/02/2017	Non-Executive Director	MBA University of Chicago, Booth School of Business Bachelor of Laws, Honors (2nd Upper), National University of Singapore	Group Chief Financial Officer of IHH Healthcare Berhad Director of Parkway Holdings Ltd Director of Parkway Group Healthcare Pte Ltd
Yong Yean Chau Age: 51 Appointed On: 29/01/2009	Executive Director/ Chief Executive Officer	B.ACC (Hons), Fellow Chartered Accountant of Singapore	Director of Hiap Tong Corporation Ltd (Retired on 27 July 2016)

MANAGEMENT TEAM

1. MR. YONG YEAN CHAU
Chief Executive Officer and Executive Director

(Please see biography under Board of Directors)

2. MR. LOO HOCK LEONG
Chief Financial Officer

Mr. Loo brings with him 21 years of extensive banking and corporate experience. He currently serves as the Chief Financial Officer and Head of Corporate Services and Investor Relations at Parkway Trust Management Limited, the manager of Parkway Life REIT.

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.

1

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3. 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.

2

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, 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.

MANAGEMENT TEAM

4

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

Ms. Liu brings with her 17 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 involved in 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.

5. MS. TEO CHIN PING
Assistant Vice President, Asset Management

Ms. Teo brings with her 21 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.

6. MS. PATRICIA NG
Assistant Vice President
Head of Finance

Ms. Ng brings with her more than 16 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 ISCA. She also holds an Executive Master of Business Administration from The University of Hull Business School, United Kingdom.

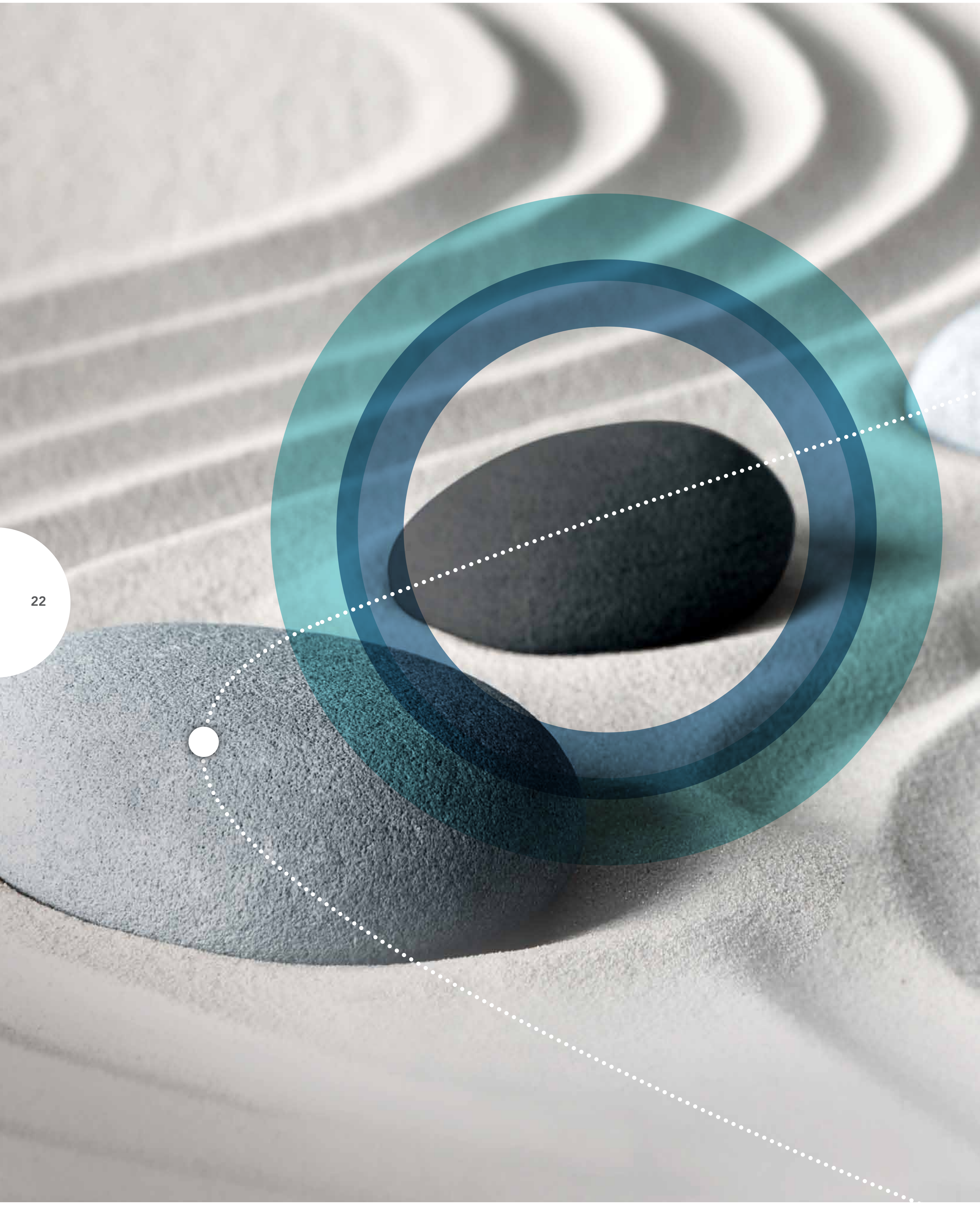
7. MR. SHAWN YAP
Assistant Vice President,
Asset Management

Mr. Yap brings with him 14 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.



SOLIDIFYING STRENGTH

Not straying from our core values, PLife REIT will strive forward from a position of strength and continue to seize opportunities for growth whilst maintaining our acquisitions deal making discipline. Proactive Asset Management will continue to be a main thrust in 2017, as we continue to closely monitor the performance of our portfolio while safeguarding the interests of our Unitholders.

▲ TOTAL PROPERTY VALUE

1.66bil

FINANCIAL **HIGHLIGHTS**

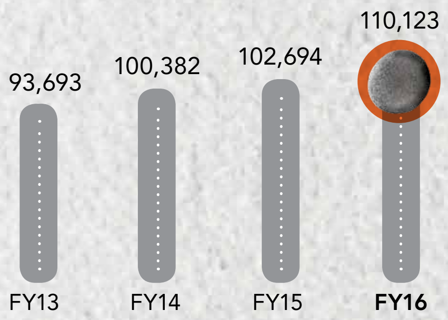
BUILDING STRENGTH

PLife REIT remained steadfast in ensuring well insulated earnings for Unitholders as the REIT proactively engaged in prudent financial and risk management and strengthened the portfolio mix, amidst macroeconomic uncertainties. PLife REIT owns a well-diversified portfolio of 44 properties valued at approximately S$1.66 billion as at 31 December 2016.

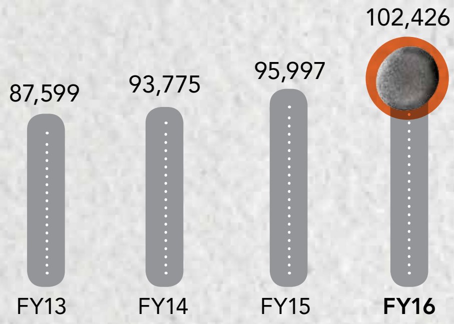
1 Total portfolio value as at 31 December of each year from 2007 to 2016

STEADY FINANCIAL PERFORMANCE AT A GLANCE

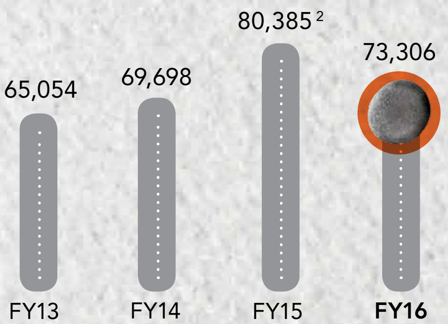
Gross Revenue Growth
(S$'000)



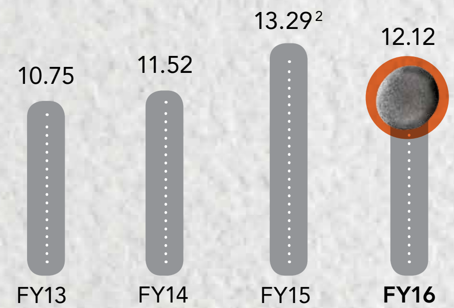
Net Property Income
(S$'000)



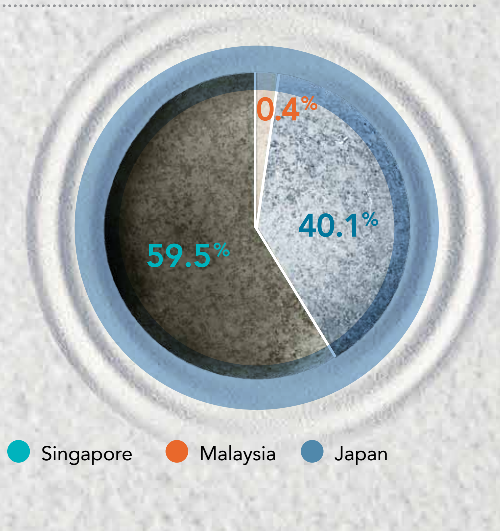
Distributable Income
(S$'000)



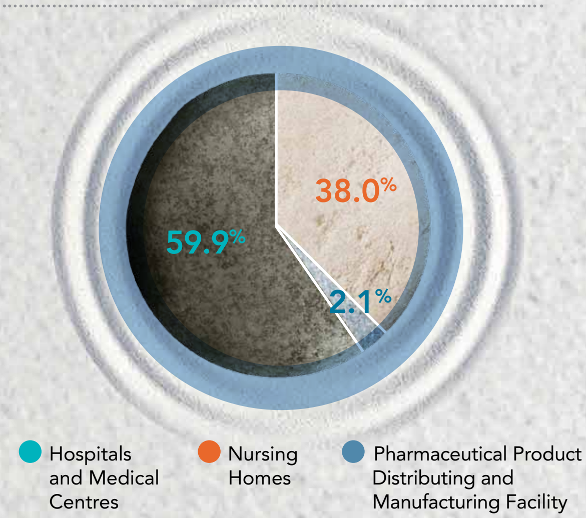
Distribution Per Unit
(Singapore Cents) [3]



Full Year FY2016 Gross Revenue Breakdown by Geography (%)



Full Year FY2016 Gross Revenue Breakdown by Asset Class (%)



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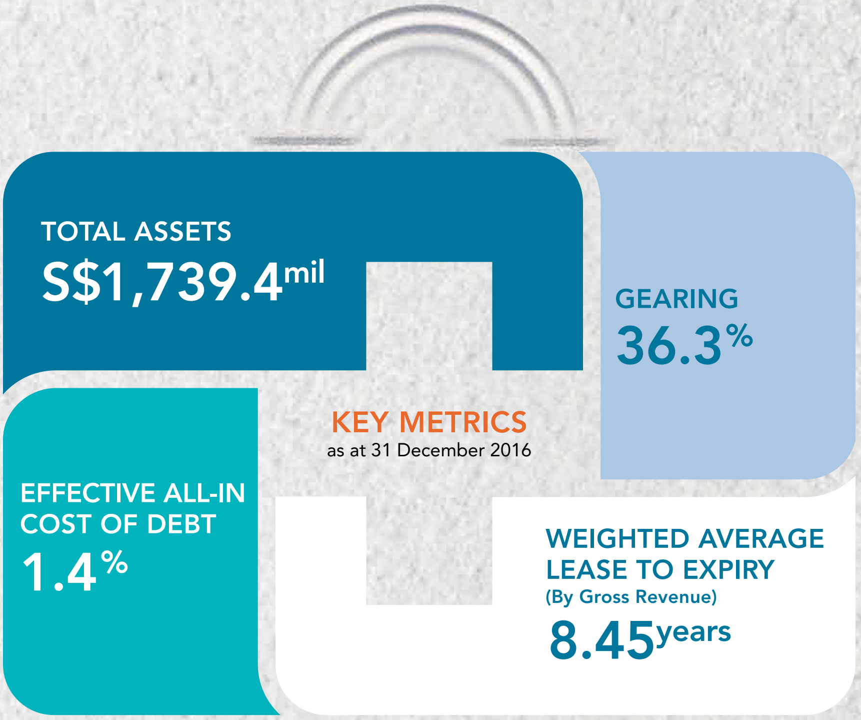
2 Includes distribution of divestment gains (after tax) of S$9,110,000 in relation to the divestment of seven Japan properties in December 2014

3 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 2016

FINANCIAL **HIGHLIGHTS**

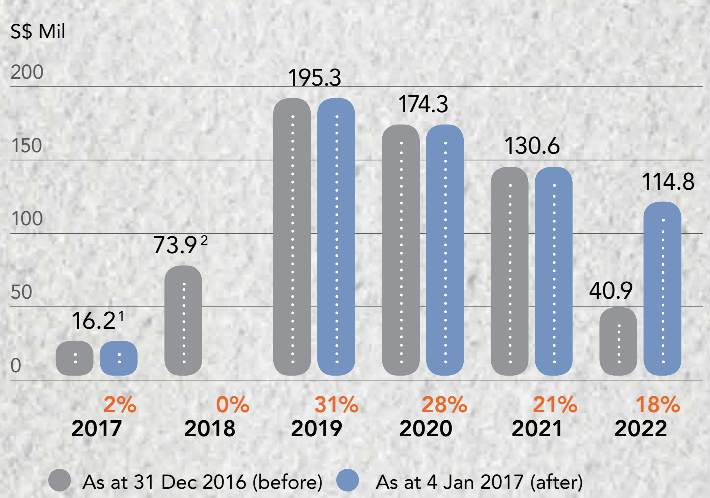
SOUND FINANCIAL METRICS

PLife REIT's robust balance sheet will provide the REIT financial flexibility to seize compelling investment opportunities to deliver strong returns for its Unitholders.

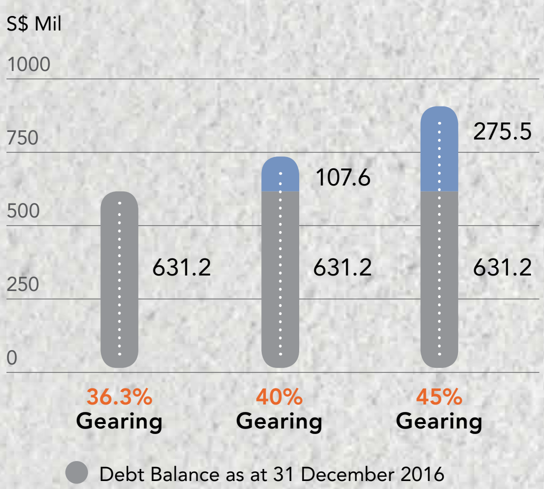


WEIGHTED AVERAGE TERM TO MATURITY EXTENDED FROM 3.2 YEARS TO 3.6 YEARS POST REFINANCING EXERCISE ON 4 JANUARY 2017

Debt Maturity Profile (Before and After Refinancing) As at 31 December 2016



Ample Debt Headroom of S$107.6 Million and $275.5 Million before Reaching 40% and 45% Gearing Respectively



1 As at 31 December 2016, S$16.2 million and JPY3.7 million of short-term loans were drawn down for general working capital purposes
2 The existing loan of S$73.9 million due in 2H 2018 was refinanced and termed out on 4 January 2017

SIGNIFICANT EVENTS

2016

24 MARCH

Announced the acquisition of a nursing home in Japan, Silver Heights Hitsujigaoka (Ichibankan & Nibankan).

29 MARCH

Announced the maiden issuance of 6-year JPY3.3 billion (approximately S$40.7 million[2]) senior unsecured fixed rate notes due 2022 at a competitive rate of 0.58% per annum for pre-emptive refinancing of loan due in 1Q 2017 and financing of property acquisition in March 2016.

26 APRIL

Announced 1Q 2016 results: Gross revenue increased 8.6% year-on-year to S$26.9 million. Distributable income from recurring operations continued to grow 5.3% 1Q year-on-year. On an overall basis, total distributable income decreased 7.0% 1Q year-on-year to S$18.1 million, due to absence of one-off divestment gain[1].

DPU of 2.99 cents for the period declared.

26 JULY

Announced 2Q 2016 results: Gross revenue increased 6.8% year-on-year to S$27.4 million. Distributable income from recurring operations continued to grow 1.2% 2Q year-on-year. On an overall basis, total distributable income decreased 10.2% 2Q year-on-year to S$18.2 million, due to absence of one-off divestment gain[1].

DPU of 3.01 cents for the period declared.

Announced the Minimum Guaranteed Rent for the Singapore Hospital Properties for the 10th year of lease term commencing 23 August 2016 continued to register a 1.0% increase under the CPI +1% rent revision formula.

27 OCTOBER

Announced 3Q 2016 results: Gross revenue increased 8.2% year-on-year to S$28.1 million. Distributable income from recurring operations continued to grow 2.7% 3Q year-on-year. On an overall basis, total distributable income decreased 8.8% 3Q year-on-year to S$18.5 million, due to absence of one-off divestment gain[1].

DPU of 3.06 cents for the period declared.

Announced the completed asset enhancement initiative at the Japan nursing home, Sawayaka Kiyotakan. Rent for the property increased by 4.7% for the remaining lease term of approximately 17 years with effect from 26 July 2016.

22 DECEMBER

Announced the completed divestment of four nursing homes in Japan. The properties are Bon Sejour Ibaraki, Legato Higashi Sumiyoshi, Legato Katano and Royal Residence Gotenyama, in Osaka Prefecture of Japan.

2017

25 JANUARY

Announced 4Q 2016 results: Gross revenue increased 5.4% year-on-year to S$27.7 million. Distributable income from recurring operations increased by 2.3% 4Q year-on-year. On an overall basis, total distributable income decreased 9.2% 4Q year-on-year to S$18.5 million, due to absence of one-off divestment gain[1].

DPU of 3.06 cents for the period declared.

Termed out all existing long-term debts, with no immediate refinancing need till FY2019.

Announced that PLife REIT will register a divestment gain (after tax) of approximately S$5.3 million from the divestment completed on 22 December 2016. The divestment gain will be equally distributed over the four quarters of FY2017.

1 In December 2014, PLife REIT successfully divested seven nursing homes in Japan. Divestment gain (after tax) of 1.5 cents (S$9.11 million) was equally distributed in the four quarters of FY 2015
2 At an exchange rate of S$1.00 = JPY81.00 per announcement release on 29 March 2016

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.

KEY PORTFOLIO STATISTICS [1]

44
Number of Properties

98%
Leases with Rent Review Provision
(by NLA)

S$1.66bil [2]
Appraised Value

8.45 years
Weighted Average Lease Term to Expiry [3]
(by gross revenue)

23
Number of Lessees

64%
CPI-linked Revision Formulae
(by gross revenue)

94%
Downside Protection
(by gross revenue)

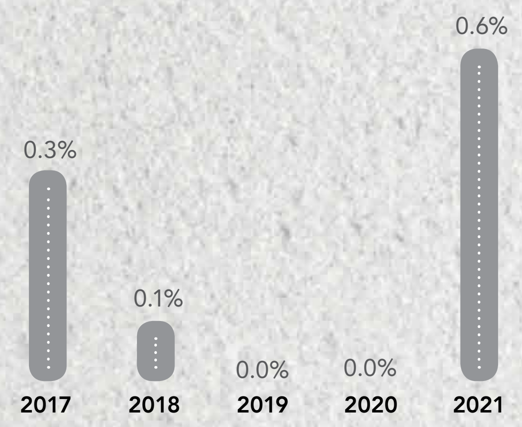
282,594 sqm
Floor Area

TOP 10 TENANTS [4]

S/N	Tenant	%
1	Parkway Hospitals Singapore Pte. Ltd.	62.4%
2	K.K. Sawayaka Club	9.2%
3	K.K. Habitation	6.1%
4	K.K. Asset	3.3%
5	Miyako Enterprise Co., Ltd.	2.8%
6	Riei Co., Ltd.	2.4%
7	Green Life Higashi Nihon	1.6%
8	Alere Medical Co., Ltd.	1.6%
9	K.K. Oueikikaku	1.5%
10	Miyako-Kenkoukai Medical Corporation	1.3%

REVENUE STABILITY WITH DEFENSIVE LONG-TERM MASTER LEASE STRUCTURES [4]

Lease Expiry Profile for the next 5 years
(as a % of Portfolio Revenue)



1 As at 31 December 2016
2 Based on latest appraised values as at 31 December 2016
3 Includes new leases in 2016 with Weighted Average Lease Term of 13.32 years and accounted for 2.7% of Gross Revenue for the month of December 2016
4 Based on Gross Revenue as at 31 December 2016

PORTFOLIO DIVERSIFICATION[4]

By Asset Class

62.7%	35.7%	1.6%
Hospitals and Medical Centres	Nursing Homes	Pharmaceutical Product Distributing and Manufacturing Facility

By Geography

62.4%

Portfolio of 3 strategically-located world-class local private hospitals worth S$1.06 billion[2]

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

- PLife REIT 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% growth annually (CPI deemed as zero if it is negative)

37.3%

Portfolio of 40 high quality healthcare properties worth S$593 million[2]

DISTINCT FEATURES OF OUR JAPAN PROPERTIES

Favourable Lease Structure

- Long-term lease structure with weighted average lease term to expiry of 13.22 years
- "Up-only" Rental Review Provision for most of our nursing homes

Master Tenanted

- Signifies 100% committed occupancy
- Backed-up operator arrangements for all our nursing homes provide further rental security

0.3%

Portfolio of high quality healthcare assets worth S$7.2 million[2]

DISTINCT FEATURES OF OUR MALAYSIA PROPERTIES

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

Parkway Life REIT owns approximately 23.1% of total share value of the freehold building.

The portfolio enjoys 95% occupancy[6] with Gleneagles Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.) as the sole lessee.

5 Except property damage insurance for Parkway East Hospital
6 Excluding car park

FINANCIAL **REVIEW**

HEALTHY GROWTH IN REVENUE AND NET PROPERTY INCOME

Global markets were fraught with uncertainty and volatility this year due to key events such as the Brexit vote and US presidential election. Despite the various fluctuations experienced on a macroeconomic level, PLife REIT has remained resilient with its Unit Price's performance largely outpacing both the STI and the S-REIT Index over the past year.

Overall, gross revenue has risen to S$110.1 million for FY2016, a 7.2% increase from the previous year ("FY2015"). Revenue growth was driven primarily by contribution from the acquisition of a property in March 2016, higher yielding properties acquired from the asset recycling initiative completed in March 2015 and appreciation of the Japanese Yen ("JPY") as compared to the same period last year. In addition, the gross revenue was also boosted by an upward minimum guarantee rent revision of the 3 hospitals in Singapore. In particular, the Parkway East Hospital's adjusted hospital revenue for the 9th year lease (23 August 2015 – 22 August 2016) has outperformed its minimum guarantee rent, contributing to the further increase in revenue from Singapore.

Accordingly, PLife REIT experienced a healthy 6.7% growth in net property income from FY2015, recording a full year income of S$102.4 million for FY2016.

Notwithstanding the volatile JPY exchange rate, the income hedge strategy adopted by PLife REIT for income in JPY continued to deliver positive impact. During the year under review, the Group had registered a realised foreign exchange gain amounting to S$1.0 million from the delivery of JPY forward contracts. The net income hedges put in place for PLife REIT's Japan portfolio serve as an effective shield against JPY currency fluctuations, reinforcing the sustainability of its stable distributions to Unitholders. Furthermore, PLife REIT was also protected from foreign currency fluctuations for its Japanese investments by adopting a natural hedge strategy.

Total operating expenses [1] for the year were S$31.6 million, which represented 3.0% of PLife REIT's net asset value as at the end of the financial year. Tax incurred for the year was S$8.2 million.

Distributable income declined by 8.8% to S$73.3 million for FY2016 due to the absence of one-off distribution of divestment gain [2]. Stripping the one-off divestment gain, the distributable income for the recurring operations would have increased by 2.8% as compared to the previous year. DPU for the year stood at 12.12 cents, having grown steadily at a rate of 91.8% since IPO.

On 22 December 2016, PLife REIT had successfully divested four nursing home properties in Japan. The divestment gain (after tax) that approximates S$5.3 million will be equally distributed over four quarters in FY2017.

ROBUST BALANCE SHEET

PLife REIT's prudent and pre-emptive financial and risk management measures allowed the Group to maintain its strong financial position in FY2016.

Leverage and Borrowings

As part of its continuous efforts to strengthen the Group's debt profile and enhance the resiliency of the balance sheet, PLife REIT pre-emptively termed out all existing long-term debts, resulting in no immediate refinancing need till FY2019. The weighted average debt term to maturity improved to 3.6 years, from 3.2 years, post refinancing exercise on 4 January 2017.

In light of the US Federal Reserve's much-talked about interest rate hikes

1 Made up of property expenses, management fees, trust expenses and finance costs
2 In relation to the divestment of 7 Japan nursing homes in December 2014 as announced on 26 December 2014. Divestment gain of 1.5 cents (S$9.11 million) was equally distributed in the four quarters in FY2015
3 Post latest refinancing exercise to term out the remaining loan due in 2H FY2018 on 4 January 2017

in 2017, PLife REIT has risk-reducing interest rate hedges in place to keep the Group well insulated from interest rate vulnerabilities. As at 31 December 2016, about 99% of its interest rate exposure is hedged.

Another measure partaken by PLife REIT in FY2016 to diversify its base of funding sources was via the Group's maiden issuance of JPY-denominated bonds due 2022 under its S$500 million Multicurrency Medium Term Note Programme.

In March 2016, PLife REIT issued a JPY3.3 billion (approximately S$40.7 million[4]) 6-year senior unsecured Fixed Rate Notes to an institutional investor in Japan at an attractive pricing for a 6-year debt tenor of 0.58% per annum. The tide of liquidity in Japan opened a window of opportunity for the Group to capitalise on the tightened credit spread of JPY bonds by domestic bond investors and to diversify away from bank facilities which has been the REIT's current sole source of debt funding.

As at 31 December 2016, gearing remains healthy at 36.3% with an effective all-in cost of debt of 1.4%. This leaves the Group with ample debt headroom of S$107.6 million and S$275.5 million before reaching 40% and 45% gearing respectively. With a healthy gearing level and sufficient debt headroom, PLife REIT has the financial flexibility to capitalise on any future acquisitions and growth opportunities.

Cash Position

PLife REIT is in a net cash position with cash and cash equivalents[5] for the year standing at S$69.2 million, compared to S$18.5 million in FY2015. Higher cash and cash equivalents as of 31 December 2016 comprised of the divestment proceeds from the disposal of four nursing homes on 22 December 2016.

Cash inflow from operating activities for FY2016 increased to S$87.5 million from S$82.0 million in FY2015, 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.

Cash flows in investing activities for FY2016 had included the proceeds from the divestment of four Japan nursing homes in December 2016 offset by payment of capital expenditure on existing properties and acquisition-related costs for the nursing home property acquired in March 2016.

Cash used in financing activities in FY2016 was largely due to distribution to Unitholders.

Asset Valuation

As at 31 December 2016, PLife REIT's property portfolio comprised of 44 high quality healthcare assets, valued approximately at S$1.66 billion. The increase in investment properties was mainly due to the gain on revaluation, acquisition of a nursing home on 31 March 2016, as well as appreciation of the JPY offset by the disposal of four nursing homes on 22 December 2016. Furthermore, the Group achieved a revaluation gain of S$18.2 million for its existing properties as at 31 December 2016.

Net Asset Value as at 31 December 2016 was S$1.72 per Unit.

4 JPY reference is based on the exchange rate of S$1.00 : JPY81.00

5 Cash and cash equivalents at the respective period end exclude a cash deposit of JPY154.4 million (S$1.9 million and S$1.8 million as at 31 December 2016 and 31 December 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

PORTFOLIO
OUR PROPERTIES

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

MALAYSIA
4 Gleneagles Intan Medical Centre, Kuala Lumpur

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 Kuala Lumpur (A Branch of Pantai Medical Centre Sdn. Bhd.)
Committed Occupancy[2]	100%	100%	100%	As at 31 Dec 2015: 100% (excluding car park); As at 31 Dec 2016: 95% (excluding car park)
Gross Revenue (2016)	S$40,837,532	S$21,283,242	S$3,374,185	RM1,507,544
Gross Revenue (2015)	S$40,420,394	S$21,065,843	S$3,181,547	RM1,555,797
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 2016)**	S$664.0 million	S$339.0 million	S$54.2 million	RM22.2 million[5] (S$7.16 million)
Name of Appraiser(s)	Knight Frank Pte Ltd	Knight Frank Pte Ltd	Knight Frank Pte Ltd	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 2015 and 2016 remain unchanged except for Gleneagles Intan Medical Centre, Kuala Lumpur
3 Based on the exchange rate at point of acquisition
4 At an exchange rate of S$1.00 : RM3.10
5 As at 31 December 2016, the property recorded a depreciation on revaluation against the corresponding value as at 31 December 2015 due to rent reversion in line with current market conditions

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
- Fiore Senior Residence Hirakata
- Maison des Centenaire Ishizugawa
- Maison des Centenaire Haruki
- Iyashi no Takatsuki Kan
- 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
- Silver Heights Hitsujigaoka (Ichibankan & Nibankan)

OUR PROPERTIES




	Bon Sejour Shin-Yamashita	Palmary Inn Akashi	Palmary Inn Suma	Senior Chonaikai Makuhari Kan
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	1,653	5,891	2,676	2,853
Floor Area (sq m)	3,273	6,562	4,539	4,361
Number of Units (Rooms)	74	96	59	108
Number of Storeys	5	6	5/6	5
Year of Completion	2006	1987; Conversion works were completed in 2003	1989	1992; Conversion works were completed in 2004
Name of Lessee (s)	Benesse Style Care Co., Ltd[4]	Asset Co., Ltd	Asset Co., Ltd	Riei Co., Ltd
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2016)	¥98,736,577	¥113,400,000	¥68,028,000	¥101,496,000
Gross Revenue (2015)	¥97,951,344	¥116,826,000	¥68,093,940	¥101,496,000
Purchase Price[2]	¥1,394 million (S$18.36 million)	¥1,456 million (S$19.62 million)	¥844 million (S$11.37 million)	¥1,403 million (S$18.90 million)
Year of Purchase	2008	2008	2008	2008
Appraised Value[3] **(as at 31 December 2016)**	¥1,577 million (S$19.54 million)	¥1,740 million (S$21.56 million)	¥1,030 million (S$12.76 million)	¥1,790 million (S$22.18 million)
Name of Appraiser(s)	International Appraisals Incorporated	Colliers International	Colliers International	Colliers International

1 Committed occupancy of each property for year 2015 and 2016 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥80.71
4 On 1 April 2012, Benesse Style Care Co., Ltd merged as the surviving company with Bon Sejour Corporation

PORTFOLIO
OUR PROPERTIES

OUR PROPERTIES

	Smiling Home Medis Musashi Urawa	Smiling Home Medis Koshigaya Gamo	Amille Nakasyo	Hapine Fukuoka Noke
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	802	1,993	2,901	1,396
Floor Area (sq m)	1,603	3,824	3,259	2,912
Number of Units (Rooms)	44	100	75	64
Number of Storeys	3	6	3	5
Year of Completion	1991; Conversion works were completed in 2004	1989; Conversion works were completed in 2005	2001	2006
Name of Lessee (s)	Green Life Higashi Nihon [4]	Green Life Higashi Nihon [4]	Message Co., Ltd.; Shakai Fukushi Houjin Keiyu-Kai	Green Life Co., Ltd [5]
Committed Occupancy [1]	100%	100%	100%	100%
Gross Revenue (2016)	¥44,820,000	¥91,260,000	¥48,600,000	¥57,996,000
Gross Revenue (2015)	¥44,820,000	¥91,260,000	¥48,980,400	¥57,996,000
Purchase Price [2]	¥612 million (S$8.24 million)	¥1,289 million (S$17.37 million)	¥555 million (S$8.56 million)	¥723 million (S$11.15 million)
Year of Purchase	2008	2008	2009	2009
Appraised Value [3] (as at 31 December 2016)	¥787 million (S$9.75 million)	¥1,610 million (S$19.95 million)	¥705 million (S$8.74 million)	¥899 million (S$11.14 million)
Name of Appraiser(s)	Colliers International	Colliers International	International Appraisals Incorporated	International Appraisals Incorporated

1 Committed occupancy of each property for year 2015 and 2016 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥80.71
4 Change of name with effect from 1 May 2013 due to organisational restructuring by Green Life Co., Ltd, parent company of Medis Corporation
5 Change of name with effect from 1 May 2013 due to organisational restructuring by Green Life Co., Ltd, parent company of Care Link Co., Ltd





Fiore Senior Residence Hirakata	Maison de Centenaire Ishizugawa	Maison de Centenaire Haruki	Iyashi no Takatsuki Kan	Sawayaka Obatake Ichibankan
Freehold	Freehold	Freehold	Freehold	Freehold
727	1,111	801	2,023	1,786
1,155	2,129	1,263	3,956	3,491
40	52	36	87	78
3	5	4	6	5
2007	1988; Conversion works were completed in 2003	1996; Conversion works were completed in 2006	1997; Conversion works were completed in 2005	2007
K.K. Vivac	Miyako Kenkokai Medical Corporation	Miyako Kenkokai Medical Corporation	Riei Co., Ltd	K.K. Sawayaka Club
100%	100%	100%	100%	100%
¥33,600,000	¥61,275,254	¥47,124,000	¥101,351,496	¥57,079,992
¥33,600,000	¥61,401,600	¥47,124,000	¥101,351,496	¥58,241,607
¥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)	¥660 million (S$10.07 million)
2009	2009	2009	2009	2010
¥533 million (S$6.60 million)	¥922 million (S$11.42 million)	¥696 million (S$8.62 million)	¥1,657 million (S$20.53 million)	¥810 million (S$10.04 million)
International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

PORTFOLIO
OUR PROPERTIES

OUR PROPERTIES

	Sawayaka Obatake Nibankan	Sawayaka Shinmojikan	Sawayaka Nogatakan	Sawayaka Sakurakan
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	1,042	2,813	2,707	6,276
Floor Area (sq m)	1,538	5,088	3,147	5,044
Number of Units (Rooms)	26	112	78	110
Number of Storeys	3	6	3	4
Year of Completion	2007	2007	2005	2006
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 (2016)	¥28,468,769	¥75,639,996	¥57,639,996	¥85,068,586
Gross Revenue (2015)	¥28,863,358	¥75,639,996	¥57,709,332	¥71,819,196
Purchase Price [2]	¥276 million (S$4.21 million)	¥848 million (S$12.93 million)	¥631 million (S$9.62 million)	¥725 million (S$11.06 million)
Year of Purchase	2010	2010	2010	2010
Appraised Value [3] **(as at 31 December 2016)**	¥384 million (S$4.76 million)	¥1,020 million (S$12.64 million)	¥767 million (S$9.50 million)	¥876 million (S$10.85 million)
Name of Appraiser(s)	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

1 Committed occupancy of each property for year 2015 and 2016 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥80.71
4 As at 31 December 2016, the property recorded a depreciation on revaluation against the corresponding value as at 31 December 2015





As Heim Nakaurawa	Fureai no Sono Mushashi Nakahara	Sawayaka Fukufukukan	Sawayaka Higashikagurakan	Happy Life Toyonaka
Freehold	Freehold	Freehold	Freehold	Freehold
1,762	935	1,842	4,813	628
2,692	1,847	3,074	5,335	1,254
64	47	72	110	42
4 + 1 (basement)	4	4 + 1	4	4
2006	2006	2008	2010	2007
As Partners Co., Ltd	Y.K. Shonan Fureai no Sono	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Nihon Kaigo Iryo Center
100%	100%	100%	100%	100%
¥67,200,000	¥52,800,000	¥50,000,004	¥81,090,396	¥35,280,000
¥67,200,000	¥52,800,000	¥50,529,498	¥81,210,396	¥35,280,000
¥812 million (S$12.72 million)	¥628 million (S$9.83 million)	¥564 million (S$8.74 million)	¥866 million (S$13.36 million)	¥445 million (S$5.67 million)
2010	2010	2011	2012	2013
¥1,160 million (S$14.37 million)	¥900 million[4] (S$11.15 million)	¥728 million (S$9.02 million)	¥1,020 million (S$12.64 million)	¥523 million (S$6.48 million)
Colliers International	Colliers International	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

PORTFOLIO
OUR PROPERTIES

OUR PROPERTIES

	Palmary Inn Shin-Kobe	Sawayaka Seaside Toba	Sawayaka Niihamakan	Sawayaka Minatokan
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	1,034	2,803	4,197	3,551
Floor Area (sq m)	3,964	7,360	7,382	2,246
Number of Units (Rooms)	71	129	135	50
Number of Storeys	10	7	7	3
Year of Completion	1992; Conversion works were completed in 2003	2012	2012	2012
Name of Lessee (s)	Asset Co., Ltd	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Sawayaka Club
Committed Occupancy [1]	100%	100%	100%	100%
Gross Revenue (2016)	¥99,729,600	¥110,643,648	¥104,186,688	¥52,061,460
Gross Revenue (2015)	¥99,654,000	¥110,838,048	¥104,186,688	¥52,061,460
Purchase Price [2]	¥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)
Year of Purchase	2013	2013	2013	2013
Appraised Value [3] **(as at 31 December 2016)**	¥1,586 million (S$19.65 million)	¥1,520 million (S$18.83 million)	¥1,500 million (S$18.59 million)	¥727 million (S$9.01 million)
Name of Appraiser(s)	International Appraisals Incorporated	Colliers International	Colliers International	Colliers International

1 Committed occupancy of each property for year 2015 and 2016 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥80.71





Sawayaka Mekari Nibankan	Sawayaka Kiyotakan	Maison des Centenaire Hannan	Maison des Centenaire Ohhama	Sunhill Miyako
Freehold	Freehold	Freehold	Freehold	Freehold
1,354	2,597	7,827	1,281	10,867
2,133	5,661	4,331	1,717	4,299
61	108	95	47	34
3	8	3	5	4
2012	2013	2010	1990	1996
K.K. Sawayaka Club	K.K. Sawayaka Club	Miyako Enterprise Co., Ltd	Miyako Enterprise Co., Ltd	Miyako Enterprise Co., Ltd
100%	100%	100%	100%	100%
¥24,799,992	¥70,619,817	¥124,004,508	¥48,999,996	¥67,022,596
¥24,799,992	¥69,210,636	¥124,000,008	¥48,999,996	¥67,117,988
¥310 million (S$3.97 million)	¥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)
2013	2013	2014	2014	2014
¥342 million (S$4.24 million)	¥980 million (S$12.14 million)	¥1,880 million (S$23.29 million)	¥735 million (S$9.11 million)	¥899 million (S$11.14 million)
Colliers International	Colliers International	Colliers International	Colliers International	Colliers International

PORTFOLIO
OUR PROPERTIES

OUR PROPERTIES

	Habitation Jyosui	Ocean View Shonan Arasaki	Habitation Hakata I, II, III	Excellent Tenpaku Garden Hills
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	3,259 [4]	3,067	15,336	6,593
Floor Area (sq m)	6,076 [5]	5,304	21,415	4,000
Number of Units (Rooms)	87	79	318	94
Number of Storeys	11	6	3 to 8 [6]	4
Year of Completion	2005	2013	1987 to 2003 [7]	2013
Name of Lessee (s)	K.K. Habitation	K.K. Oueikikaku	K.K. Habitation	K.K. Kokanomori
Committed Occupancy [1]	100%	100%	100%	100%
Gross Revenue (2016)	¥245,000,004	¥131,799,825	¥276,499,092	¥108,000,000
Gross Revenue (2015)	¥245,000,004	¥129,950,599	¥213,804,211	¥83,612,903
Purchase Price [2]	¥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)
Year of Purchase	2014	2015	2015	2015
Appraised Value [3] **(as at 31 December 2016)**	¥3,685 million (S$45.66 million)	¥1,990 million (S$24.66 million)	¥3,840 million (S$47.58 million)	¥1,820 million (S$22.55 million)
Name of Appraiser(s)	International Appraisals Incorporated	Colliers International	Colliers International	Colliers International

1 Committed occupancy of each property for year 2015 and 2016 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : ¥80.71
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 in 1984, Hakata II in 1995, Hakata III in 2003

Liverari Shiroishi Hana Ichigo-kan [8]	Liverari Shiroishi Hana Nigo-kan [9]	Liverari Misono [10]	Silver Heights Hitsujigaoka (Ichibankan & Nibankan)	P-Life Matsudo
Freehold	Freehold	Freehold	Freehold	Freehold
628	436	429	5,694	8,450
1,056	747	724	9,013	3,240
48	24	18	123	NA
3	3	3	5 to 6	2
2011	1990	1993	Ichibankan in 1987; Nibankan in 1991	2005; Additional works were completed in 2007
Living Platform, Ltd.	Living Platform, Ltd.	K.K. Care Products	K.K. Silver Heights Sapporo	Alere Medical Co., Ltd
100%	100%	100%	100%	100%
¥24,000,000	¥12,259,200	¥14,601,600	¥66,816,129	¥176,876,890
¥18,580,645	¥9,491,114	¥11,304,465	NA	¥178,635,772
¥298 million (S$3.43 million)	¥152 million (S$1.75 million)	¥177 million (S$2.04 million)	¥1,100 million (S$13.23 million)	¥2,590 million [11] (S$34.19 million)
2015	2015	2015	2016	2008
¥349 million (S$4.32 million)	¥169 million (S$2.09 million)	¥193 million (S$2.39 million)	¥1,160 million (S$14.37 million)	¥2,340 million (S$28.99 million)
Colliers International	Colliers International	Colliers International	Colliers International	Colliers International

8 Known as Hana Kitago at the point of acquisition
9 Known as Hana Kita 13 Jyo at the point of acquisition
10 Change of name from Ajisai Misono to Liverari Misono with effect from 11 June 2015
11 As at 31 December 2016, the property recorded a depreciation on revaluation against the corresponding value as at 31 December 2015 due to rent reversion in line with current market conditions

INVESTOR RELATIONS

PROACTIVE COMMUNICATION WITH THE INVESTING COMMUNITY AND UNITHOLDERS

Parkway Trust Management Limited, the Manager of PLife REIT ("Manager"), is committed to engaging all its stakeholders and the investment community by providing information about PLife REIT and its financial performance through continuous disclosure and transparent communication that relates to it, in a timely manner, so that investors and potential investors can consistently make informed decisions on its fair value.

The Manager believes and adopts a proactive approach in reaching out to Unitholders, existing and potential investors, analysts and media through various communication channels and programmes such as the corporate website, corporate literature, annual general meeting and outreach programmes, throughout the financial 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 the 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 provides a platform for interactions between Unitholders, the Board of Directors and management of the Manager, as well as for Unitholders to decide on the proposed resolutions. The AGM also allows the Manager to share 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 will 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, participation in investment or industry conferences, analyst briefings and non-deal roadshows in key financial centres. Some of the key investor relations activities conducted in year 2016 are listed below:

Key Events/IR Activities in FY2016

1st Quarter	One-on-one Investors' Meetings
2nd Quarter	One-on-one Investors' Meetings Annual General Meeting Citi's 2016 ASEAN C-Suite Forum (Singapore) Citi Asia Pacific Property Conference 2016 (Hong Kong)
3rd Quarter	One-on-one Investors' Meetings DBS Vickers The Pulse of Asia Conference (Kuala Lumpur) Japan Bond Investors Non-deal Roadshow (Tokyo) UBS Singapore Corporate Day (Hong Kong)
4th Quarter	One-on-one Investors' Meetings CIMB Research Non-Deal Roadshow (Bangkok) DBS Vickers Non-deal Roadshow (New York, Boston, Philadelphia, Toronto, Montreal, San Francisco)

News and 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 local press. PLife REIT started off the year with a part in a cover story on The Edge that featured ten stocks offering investors value or safety amidst the challenging market environment that was predicted to go on for the next 12 months[1]. The article highlighted that PLife REIT, as one of the ten stocks, have earnings that are defensive in nature and that even uncertainties such as foreign exchange risks do not detract from PLife REIT's underlying defensiveness.

The Manager was able to effectively reach out to both its existing and new investors to raise awareness and interest in PLife REIT through this outreach programme and would endeavour to consistently improve on its communications to better improve its outreach.

ANALYST COVERAGE

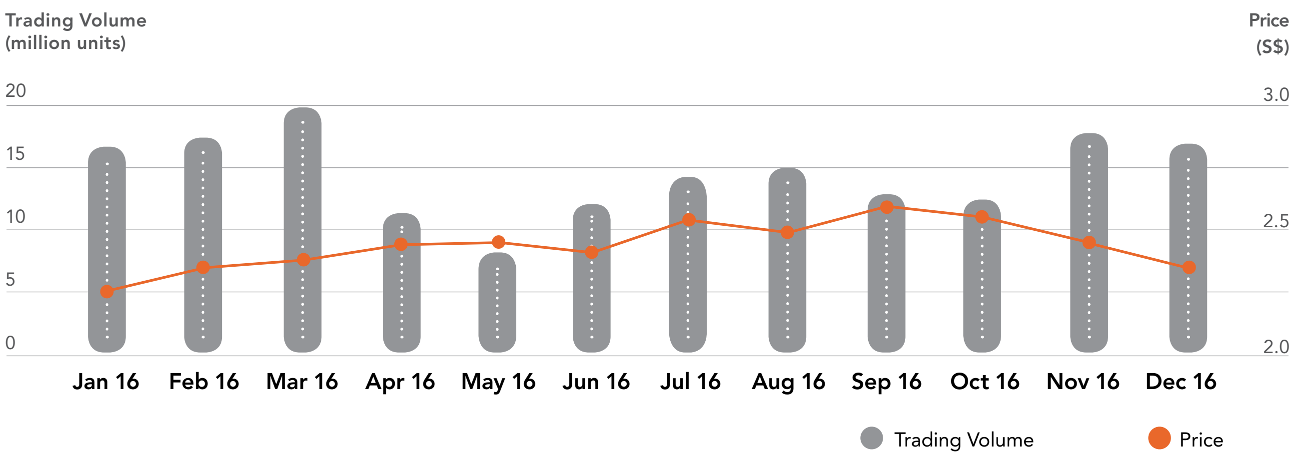
The following brokerage houses provide research coverage on PLife REIT as of 31 December 2016:

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

PLife REIT Unit Price Performance[2]

	FY2015	FY2016
Opening Price (S$)	2.35	2.30
Closing Price (S$)	2.33	2.36
High (S$)	2.46	2.64
Low (S$)	2.20	2.12
Trading Volume (million units)[2]	142.10	175.06
% of S-REIT Trading Volume	0.71	0.82
Market Capitalisation (S$million)[3]	1,409.65	1,427.80

PLife REIT Monthly Trading Performance in FY2016[2]



1 The Edge, "Corporate: Cover story: Stocks for a rough year" by Joan Ng, 8 February 2016
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.

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 2016 ("**FY2016**"), as well as the attendance of each Board member at these meetings, are set out below.

CORPORATE GOVERNANCE

Director	Board Meetings	Audit Committee Meetings	Nominating and Remuneration Committee Meetings
Mr. Lim Kok Hoong	4	4	-
Mr. Puah Tuan Soon Benson*	2	2	1
Dr. Jennifer Lee Gek Choo#	2	2	-
Mr. Tan Bong Lin**	3	3	1
Mr. Ho Kian Guan##	1	1	-
Dr. Tan See Leng	4	-	1
Dr. Lim Suet Wun	4	-	-
Mr. Tan See Haw***	4	-	-
Ms. Rossana Annizah Binti Ahmad Rashid	4	-	-
Mr. Yong Yean Chau	4	-	-
No. of Meetings held in FY2016	4	4	1

* Resigned on 30 June 2016
\# Appointed on 30 June 2016
** Resigned on 21 October 2016
\## Appointed on 21 October 2016
*** Resigned on 28 February 2017

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 FY2016, the AC was updated on the new SGX Sustainability Reporting Guide and the Board was updated on (i) Undertakings from Directors and Executive Officers under the Listing Manual and (ii) Assumptions and Methodologies Adopted for Year-End Valuation Exercise for PLife REIT's assets.

BOARD COMPOSITION AND GUIDANCE

Principle 2: <u>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.</u>

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	Chairman	-
Dr. Jennifer Lee Gek Choo*	Independent Director	Member	Chairman
Mr. Ho Kian Guan#	Independent Director	Member	Member
Dr. Tan See Leng	Non-Executive Director	-	Member
Dr. Lim Suet Wun	Non-Executive Director	-	-
Ms. Rossana Annizah Binti Ahmad Rashid	Non-Executive Director	-	-
Mr. Low Soon Teck^	Non-Executive Director	-	-
Mr. Yong Yean Chau	Executive Director	-	-

* Appointed on 30 June 2016
\# Appointed on 21 October 2016
^ Appointed on 28 February 2017

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.

Independent Directors

The Board has three independent directors, namely Mr. Lim Kok Hoong, Dr. Jennifer Lee Gek Choo and Mr. Ho Kian Guan. 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 has served on the Board for a period exceeding nine years. However, the NRC considered that Mr. Lim has demonstrated independence of view and conduct at both Board meetings and Board committee meetings and has been exercising independent judgment in the best interests of PLife REIT. The NRC therefore considered that Mr. Lim should be deemed independent despite his length of service on the Board. Based on the recommendation of the NRC, the Board concurred that Mr. Lim should be deemed 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

CORPORATE GOVERNANCE

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.

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 14 to 18 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. A formal letter setting out the director's duties and responsibilities will be given to the new director upon his/her appointment to the Board. 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, if any, 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.

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.

CORPORATE GOVERNANCE

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.

The director's remuneration of the following non-executive directors for FY2016 is as follows:-

Name of Director	Director's Fee (%)	Base/ Fixed Salary (%)	Variable/ Performance-Related Income/ Bonuses (%)	Benefits-in-kind (%)	Stock Options granted (%)	Share-based incentives & awards (%)	Other long-term incentives (%)	Total (S$)
Mr. Lim Kok Hoong	100	-	-	-	-	-	-	99,664
Mr. Puah Tuan Soon Benson^	100	-	-	-	-	-	-	36,549
Dr. Jennifer Lee Gek Choo#	100	-	-	-	-	-	-	37,152
Mr. Tan Bong Lin^^	100	-	-	-	-	-	-	59,242
Mr. Ho Kian Guan##	100	-	-	-	-	-	-	9,295
Dr. Tan See Leng*	100	-	-	-	-	-	-	47,250
Dr. Lim Suet Wun*	100	-	-	-	-	-	-	47,250
Mr. Tan See Haw^^^	100	-	-	-	-	-	-	47,250
Ms. Rossana Annizah Binti Ahmad Rashid	100	-	-	-	-	-	-	47,250
Mr. Low Soon Teck###	-	-	-	-	-	-	-	-

* Director's fees are paid to Parkway Group Healthcare Pte. Ltd.
^ Resigned on 30 June 2016
# Appointed on 30 June 2016
^^ Resigned on 21 October 2016
Appointed on 21 October 2016
^^^ Resigned on 28 February 2017
Appointed on 28 February 2017

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 (a) the breakdown (in percentage or dollar terms) of each director's and the Chief Executive Officer's remuneration earned through 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, (b) the breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through 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, and (c) the total remuneration paid to the top five key management personnel (who are not directors or the Chief Executive Officer), 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.

CORPORATE GOVERNANCE

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 competitiveness 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 competitiveness 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 126 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 FY2016, 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.

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 2016. "Immediate family member" means the spouse, child, adopted child, step-child, sibling and parent.

NOMINATING AND REMUNERATION COMMITTEE

The NRC of the Manager currently comprises Dr. Jennifer Lee Gek Choo (Chairman of the NRC) and Mr. Ho Kian Guan, 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.

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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;

(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 2016.

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. Lim Kok Hoong (Chairman of the AC), Dr. Jennifer Lee Gek Choo and Mr. Ho Kian Guan, 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 FY2016, the aggregate amount of audit fees paid and payable by PLife REIT to the external auditors was S$319,000, comprising non-audit service fees of S$59,000 and audit service fees of S$260,000.

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

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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.

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 111 of this Annual Report on the distribution policy and "Distribution Statements" on page 82 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 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.

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Further, 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 compliance with the MAS Guidelines on Outsourcing issued on 27 July 2016.

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 are reviewed by the AC. Where a related party transaction is subject to approval by AC, majority approval of AC is required. 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

CORPORATE GOVERNANCE

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).

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 147 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 where applicable, 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 REPORT 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 Manager 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 47 of the Corporate Governance Statement ("CG Statement").

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

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Guideline	Questions	How has the Company complied?[1]
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 49 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 50 of the CG Statement.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) Yes, please refer to the disclosure in page 50 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 50 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 50 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 48 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 51 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 51 of the CG Statement.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	Yes, please refer to the disclosure in page 51 of the CG Statement.
	(b) Has the Board met its performance objectives?	

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]
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 49 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 49 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 pages 53 and 54 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 pages 53 and 54 of the CG Statement.

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

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Guideline	Questions	How has the Company complied?[1]
Disclosure on Remuneration		
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 54 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 52 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 48 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 58 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 56 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]
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 57 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 pages 58 and 59 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 82 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	**Base Fee** 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**"). **Performance Fee** 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	**Acquisition Fee** 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.

	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.

DISCLOSURE ON FEES

	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.

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

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 and the Third Supplemental Deed dated 31 March 2016) (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 79 to 146, 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

22 March 2017

STATEMENT **BY THE MANAGER**

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages 79 to 146 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 2016, 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

22 March 2017

INDEPENDENT **AUDITORS' REPORT**

Unitholders
Parkway Life Real Estate Investment Trust
Constituted in the Republic of Singapore pursuant to 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 and the Third Supplemental Deed dated 31 March 2016)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Parkway Life Real Estate Investment Trust (the Trust) and its subsidiaries (the Group), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position and portfolio statement of the Trust as at 31 December 2016, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 79 to 146.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, portfolio statement, statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 December 2016 and the consolidated total return, consolidated distributable income, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* (RAP 7) issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT **AUDITORS' REPORT**

Valuation of investment properties (Refer to Note 4 to the financial statements)

Risk

As at 31 December 2016, the Group has 44 properties (collectively "investment properties"). These investment properties are stated at their fair values, which amounted to $1.66 billion.

These investment properties are stated at their fair values based on independent external valuations.

The valuation of investment properties requires significant judgement in the determination of the appropriate valuation methodology and in deciding on the assumptions to be applied in the valuation. Any changes in the key assumptions applied could result in a material misstatement to the financial statements.

Our response

We evaluated the independence, objectivity and competency of the valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We reviewed the appropriateness of the valuation methodologies adopted and the reasonableness of assumptions applied. We tested the integrity of inputs to the projected cash flows used in the valuation. We assessed the reasonableness of key assumptions applied in the valuations, including capitalisation, discount and terminal yield rates, by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures and, when necessary, held further discussions with the valuers to understand the effects of additional factors taken into account in the valuations.

We also considered the adequacy of the disclosures in the financial statements.

Our findings

The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions applied are within the range of market data. We also found the disclosures in the financial statements to be appropriate in their description of the degree of subjectivity and judgment in the key assumptions applied in the valuations, including the inter-relationship between the key unobservable inputs and the fair values.

Other Information

Parkway Trust Management Limited, the manager of the Trust (the Manager) is responsible for the other information. The other information comprises Trust Structure, Message to Unitholders, Corporate Development, Market Review and Outlook, Board of Directors, Management Team, Financial Highlights, Significant Events, Portfolio Highlights, Financial Review, Portfolio: Our Properties, Investor Relations, Corporate Governance, Disclosure on Fees, Report of the Trustee, Statement by the Manager, Additional Information and Statistics of Shareholdings.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT **AUDITORS' REPORT**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lee Jee Cheng Philip.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2017

STATEMENTS
OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group		Trust	
		2016	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
Non-current assets					
Investment properties	4	**1,657,209**	1,635,308	**1,057,200**	1,037,400
Interests in subsidiaries	5	**–**	–	**560,962**	557,907
Security deposits receivable		**–**	706	**–**	–
Financial derivatives	6	**210**	2,647	**210**	2,647
		1,657,419	1,638,661	**1,618,372**	1,597,954
Current assets					
Financial derivatives	6	**335**	–	**335**	–
Trade and other receivables	7	**10,504**	10,385	**9,603**	9,398
Cash and cash equivalents	8	**71,096**	20,358	**924**	427
		81,935	30,743	**10,862**	9,825
Total assets		**1,739,354**	1,669,404	**1,629,234**	1,607,779
Current liabilities					
Financial derivatives	6	**336**	–	**336**	–
Trade and other payables	9	**23,482**	15,729	**12,914**	9,191
Current portion of security deposits		**2,676**	1,724	**–**	3
Loans and borrowings	10	**16,246**	1,000	**16,246**	1,000
Provision for taxation		**–**	1	**–**	–
		42,740	18,454	**29,496**	10,194
Non-current liabilities					
Financial derivatives	6	**8,002**	3,457	**8,002**	3,457
Non-current portion of security deposits		**17,704**	18,368	**–**	–
Loans and borrowings	10	**612,539**	586,188	**612,539**	586,188
Deferred tax liabilities	11	**20,733**	19,750	**–**	–
		658,978	627,763	**620,541**	589,645
Total liabilities		**701,718**	646,217	**650,037**	599,839
Net assets		**1,037,636**	1,023,187	**979,197**	1,007,940
Represented by:					
Unitholders' funds	12	**1,037,636**	1,023,187	**979,197**	1,007,940
Units in issue ('000)	13	**605,002**	605,002	**605,002**	605,002
Net asset value per unit ($)		**1.72**	1.69	**1.62**	1.67

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

STATEMENTS **OF TOTAL RETURN**

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Gross revenue	14	**110,123**	102,694	**84,078**	74,840
Property expenses	15	**(7,697)**	(6,697)	**(3,393)**	(3,118)
Net property income		**102,426**	95,997	**80,685**	71,722
Management fees	16	**(11,113)**	(10,412)	**(10,049)**	(9,294)
Trust expenses	17	**(2,870)**	(2,633)	**(2,040)**	(1,866)
Interest income		**4**	11	**–**	3
Finance costs	18	**(9,910)**	(8,778)	**(9,910)**	(8,778)
Foreign exchange gain/(loss), net		**1,234**	3,092	**(22,247)**	(22,755)
		(22,655)	(18,720)	**(44,246)**	(42,690)
Total return before changes in fair value of financial derivatives, investment properties and gain on disposal of investment properties		**79,771**	77,277	**36,439**	29,032
Net change in fair value of financial derivatives		**(1,912)**	(4,084)	**(4,783)**	(10,235)
Net change in fair value of investment properties	4	**18,159**	5,734	**17,004**	(21,029)
Gain on disposal of investment properties	19	**4,156**	–	**–**	–
Total return/(loss) before income tax		**100,174**	78,927	**48,660**	(2,232)
Income tax expense	20	**(8,245)**	(11,939)	**–**	–
Total return/(loss) for the year		**91,929**	66,988	**48,660**	(2,232)
Earnings per unit (cents)					
Basic and diluted	21	**15.19**	11.07	**8.04**	(0.37)

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

DISTRIBUTION **STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Amount available for distribution to Unitholders at beginning of the year		**20,419**	17,595	**20,419**	17,595
Total return for the year		**91,929**	66,988	**48,660**	(2,232)
Distribution adjustments	A	**(15,600)**	7,250	**27,669**	85,597
Rollover adjustment		**(23)**	37	**(23)**	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	**73,306**	80,385	**73,306**	80,385
Amount available for distribution to Unitholders		**93,725**	97,980	**93,725**	97,980
Distributions to Unitholders during the year:					
– 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
– Distribution of 3.37 cents per unit for period from 1 October 2015 to 31 December 2015		**20,389**	–	**20,389**	–
– Distribution of 2.99 cents per unit for period from 1 January 2016 to 31 March 2016		**18,089**	–	**18,089**	–
– Distribution of 3.01 cents per unit for period from 1 April 2016 to 30 June 2016		**18,211**	–	**18,211**	–
– Distribution of 3.06 cents per unit for period from 1 July 2016 to 30 September 2016		**18,513**	–	**18,513**	–
		75,202	77,561	**75,202**	77,561
Amount available for distribution to Unitholders at end of the year		**18,523**	20,419	**18,523**	20,419

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

DISTRIBUTION **STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

	Note	Group		Trust	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Amount available for distribution to Unitholders at end of the year		**18,523**	20,419	**18,523**	20,419
Number of units entitled to distribution ('000)	13	**605,002**	605,002	**605,002**	605,002
Distribution per unit (cents)		**3.06**	3.37	**3.06**	3.37

Note A – Distribution adjustments comprise:

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-tax deductible/(non-taxable) items:				
Trustee's fees	**300**	290	**300**	290
Amortisation of transaction costs relating to debt facilities	**866**	867	**866**	867
Net overseas income not distributed to the Trust	**–**	–	**14,938**	27,240
Foreign exchange (gain)/loss, net	**(186)**	(395)	**23,295**	25,453
Others	**491**	686	**491**	483
Net change in fair value of financial derivatives	**1,912**	4,084	**4,783**	10,235
Net change in fair value of investment properties (net of deferred tax liabilities)	**(15,497)**	1,718	**(17,004)**	21,029
Gain on disposal of investment properties (net of tax)	**(3,486)**	–	**–**	–
Net effect of distribution adjustments	**(15,600)**	7,250	**27,669**	85,597

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

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Unitholders' distributions:				
– from operations	**61,780**	60,831	**61,780**	60,831
– from Unitholders' contributions	**11,526**	19,554	**11,526**	19,554
Total Unitholders' distributions	**73,306**	80,385	**73,306**	80,385

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

STATEMENTS OF MOVEMENTS
IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2016

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Unitholders' funds at beginning of year	**1,023,187**	1,035,349	**1,007,940**	1,086,592
Operations				
Total return for the year	**91,929**	66,988	**48,660**	(2,232)
Unitholders' transactions				
Distribution to Unitholders	**(75,202)**	(77,561)	**(75,202)**	(77,561)
Total increase/(decrease) in Unitholders' funds before movement in other reserves	**16,727**	(10,573)	**(26,542)**	(79,793)
Other reserves				
Net movement in hedging reserve	**(2,201)**	1,141	**(2,201)**	1,141
Translation differences on hedge of net investment in foreign operations	**(26,842)**	(58,422)	**–**	–
Translation differences arising on consolidation of foreign operations	**26,765**	55,692	**–**	–
Net (decrease)/increase in other reserves	**(2,278)**	(1,589)	**(2,201)**	1,141
Unitholders' funds at end of year	**1,037,636**	1,023,187	**979,197**	1,007,940

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

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	58	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property (1)	Leasehold	75	66	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property (1)	Leasehold	75	66	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 (3)	Leasehold	50	41	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				

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

Existing use	At Valuation 31/12/2016 $'000	At Valuation 31/12/2015 $'000	Percentage of Net Assets 31/12/2016 %	Percentage of Net Assets 31/12/2015 %
Hospital and medical centre	664,000	653,000	64.0	63.8
Hospital and medical centre	339,000	333,000	32.7	32.5
Hospital and medical centre	54,200	51,400	5.2	5.0
	1,057,200	1,037,400	101.9	101.3
Pharmaceutical product distributing and manufacturing facility	28,993	37,044	2.8	3.6
Nursing home with care service	19,539	18,228	1.9	1.8
Nursing home with care service	–	13,900	–	1.4
Nursing home with care service	21,559	20,345	2.1	2.0
Nursing home with care service	12,762	11,760	1.2	1.1
Nursing home with care service	22,178	20,698	2.1	2.0
	105,031	121,975	10.1	11.9

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

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 2016

Existing use	At Valuation 31/12/2016 $'000	At Valuation 31/12/2015 $'000	Percentage of Net Assets 31/12/2016 %	Percentage of Net Assets 31/12/2015 %
	105,031	121,975	10.1	11.9
Nursing home with care service	9,751	9,090	0.9	0.9
Nursing home with care service	19,948	18,698	1.9	1.8
Nursing home with care service	8,735	8,161	0.8	0.8
Nursing home with care service	11,423	10,666	1.1	1.0
Nursing home with care service	8,623	8,056	0.8	0.8
Nursing home with care service	11,139	10,431	1.1	1.0
Nursing home with care service	6,604	6,150	0.6	0.6
Nursing home with care service	20,530	19,134	2.0	1.9
Nursing home with care service	10,036	9,349	1.0	0.9
Nursing home with care service	10,854	9,843	1.0	1.0
Nursing home with care service	9,503	8,914	0.9	0.9
	232,177	240,467	22.2	23.5

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

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 [(3)]	Freehold	N.A.	N.A.	1-7-30 Kuwazu Higashisumiyoshi-ku, Osaka, Japan
Royal Residence Gotenyama [(3)]	Freehold	N.A.	N.A.	16-4 Gotenyamacho, Hirakata City, Osaka, Japan
Legato Katano [(3)]	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 2016

Existing use	At Valuation 31/12/2016 $'000	At Valuation 31/12/2015 $'000	Percentage of Net Assets 31/12/2016 %	Percentage of Net Assets 31/12/2015 %
	232,177	240,467	22.2	23.5
Nursing home with care service	12,638	11,760	1.2	1.1
Short stay/Day care home	4,758	4,422	0.5	0.4
Nursing home with care service	9,020	8,408	0.9	0.8
Nursing home with care service	14,372	13,406	1.4	1.3
Nursing home with care service	11,151	10,655	1.1	1.0
Nursing home with care service	–	12,936	–	1.3
Nursing home with care service	–	6,680	–	0.7
Nursing home with care service	–	8,114	–	0.8
Nursing home with care service	12,638	11,595	1.2	1.1
Nursing home with care service	6,480	6,045	0.6	0.6
Nursing home with care service	19,650	18,346	1.9	1.8
	322,884	352,834	31.0	34.4

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

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 (2)	Freehold	N.A.	N.A.	5-25-1 Nagai, Yokosuka City, Kanagawa Prefecture, Japan
Balance carried forward				

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

Existing use	At Valuation 31/12/2016 $'000	At Valuation 31/12/2015 $'000	Percentage of Net Assets 31/12/2016 %	Percentage of Net Assets 31/12/2015 %
	322,884	352,834	31.0	34.4
Nursing home with care service	18,833	17,405	1.8	1.7
Nursing home with care service	18,585	17,170	1.8	1.7
Nursing home with care service	4,237	3,951	0.4	0.4
Nursing home with care service	12,142	10,678	1.2	1.0
Nursing home with care service	9,007	8,303	0.9	0.8
Nursing home with care service	23,293	21,756	2.2	2.1
Nursing home with care service	9,107	8,491	0.9	0.8
Extended stay lodging facility	11,139	10,313	1.1	1.0
Nursing home with care service	45,657	43,042	4.4	4.2
Nursing home with care service	24,656	22,932	2.4	2.2
	499,540	516,875	48.1	50.3

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Habitation Hakata I, II and III (2)	Freehold	N.A.	N.A.	23-10 Kanenokuma 3-chome Hakata-ku, Fukuoka City, Fukuoka Prefecture, Japan
Excellent Tenpaku Garden Hills (2)	Freehold	N.A.	N.A.	141-3 Tsuchihara 2-chome, Tenpaku-ku, Nagoya City, Aichi Prefecture, Japan
Liverari Shiroishi Hana Ichigo-kan (2)	Freehold	N.A.	N.A.	1-18 Kitago 3jyo, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan
Liverari Shiroishi Hana Nigo-kan (2)	Freehold	N.A.	N.A.	5-10 Kitago 2jyo 5-chome, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan
Liverari Misono (2)	Freehold	N.A.	N.A.	4-24 Misono 7jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan
Silver Heights Hitsujigaoka (Ichibankan and Nibankan) (4)	Freehold	N.A.	N.A.	6-1 Fukuzumi, 3jyo 3-chome, Toyohira-ku, Sapporo City, 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				

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

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

Existing use	At Valuation 31/12/2016 $'000	At Valuation 31/12/2015 $'000	Percentage of Net Assets 31/12/2016 %	Percentage of Net Assets 31/12/2015 %
	499,540	516,875	48.1	50.3
Nursing home with care service	47,578	44,335	4.6	4.3
Nursing home with care service	22,550	21,050	2.2	2.1
Nursing home with care service	4,324	4,034	0.4	0.4
Nursing home with care service	2,094	1,964	0.2	0.2
Group home with care service	2,391	2,223	0.2	0.2
Nursing home with care service	14,372	–	1.4	–
	592,849	590,481	57.1	57.5
Medical Centre	7,160	7,427	0.7	0.7
	1,657,209	1,635,308	159.7	159.5
	(619,573)	(612,121)	(59.7)	(59.5)
	1,037,636	1,023,187	100.0	100.0

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2016

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Trust				
Singapore				
The Mount Elizabeth Hospital Property [1]	Leasehold	67	58	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property [1]	Leasehold	75	66	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property [1]	Leasehold	75	66	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990
Investment properties, at valuation				
Other assets and liabilities (net)				
Net assets				

(1) These properties are leased to Parkway Hospitals Singapore Pte. Ltd., a related corporation of the Manager and 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 2016, the appraised value of these properties was determined by Knight Frank Pte. Ltd., using direct capitalisation and discounted cash flow approaches.

(2) On 31 December 2016, independent valuations of these properties were undertaken by International Appraisals Incorporated and Colliers International using direct capitalisation and discounted cash flow approaches.

(3) These properties were divested on 22 December 2016.

(4) On 31 March 2016, the Group executed an agreement to participate as an investor in relation to the acquisition of a nursing home from Kabushiki Kaisha Silver Heights Sapporo for a consideration of JPY1,100 million (approximately $13.6 million). The appraised value of the property as at 29 February 2016 was JPY1,150 million (approximately $14.2 million). The valuation was prepared using direct capitalisation and discounted cash flow approaches. The acquisition was completed on 31 March 2016. On 31 December 2016, the appraised value of this property was determined by Colliers International using direct capitalisation and discounted cash flow approaches.

(5) On 31 December 2016, the appraised value of the property was determined by Nawawi Tie Leung Property Consultants Sdn. Bhd. using the direct capitalisation approach.

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.

PORTFOLIO **STATEMENTS**

AS AT 31 DECEMBER 2016

Existing use	At Valuation 31/12/2016 $'000	At Valuation 31/12/2015 $'000	Percentage of Net Assets 31/12/2016 %	Percentage of Net Assets 31/12/2015 %
Hospital and medical centre	664,000	653,000	67.8	64.8
Hospital and medical centre	339,000	333,000	34.6	33.0
Hospital and medical centre	54,200	51,400	5.5	5.1
	1,057,200	1,037,400	107.9	102.9
	(78,003)	(29,460)	(7.9)	(2.9)
	979,197	1,007,940	100.0	100.0

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

CONSOLIDATED
STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 $'000	2015 $'000
Operating activities			
Total return before income tax		**100,174**	78,927
Adjustments for:			
Unrealised foreign exchange difference		**(2)**	–
Interest income		**(4)**	(11)
Finance costs		**9,910**	8,778
Net change in fair value of financial derivatives		**1,912**	4,084
Net change in fair value of investment properties	4	**(18,159)**	(5,734)
Gain on disposal of investment properties		**(4,156)**	–
Operating income before working capital changes		**89,675**	86,044
Changes in working capital:			
Trade and other receivables		**(41)**	64
Trade and other payables		**2,701**	(194)
Security deposits		**11**	5,586
Cash generated from operations		**92,346**	91,500
Income tax paid		**(4,829)**	(9,487)
Cash flows generated from operating activities		**87,517**	82,013
Investing activities			
Interest received		**4**	11
Capital expenditure on investment properties		**(6,060)**	(5,716)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		**(14,995)**	(97,583)
Net proceeds from sale of investment properties		**48,704**	–
Divestment related cost paid		**(299)**	(1,712)
Cash flows generated from/(used in) investing activities		**27,354**	(105,000)
Financing activities			
Borrowing costs paid		**(1,038)**	(606)
Interest paid		**(9,035)**	(7,845)
Distributions to Unitholders		**(75,202)**	(77,561)
Proceeds from issue of medium term notes		**39,699**	–
Proceeds from borrowings		**152,690**	374,244
Repayment of borrowings		**(173,054)**	(397,985)
Cash flows used in financing activities		**(65,940)**	(109,753)
Net increase/(decrease) in cash and cash equivalents		**48,931**	(132,740)
Cash and cash equivalents at beginning of year		**18,543**	144,702
Effects of exchange differences on cash balances		**1,710**	6,581
Cash and cash equivalents at end of year [1]	8	**69,184**	18,543

[1] Excludes deposits amounting to JPY154.4 million (approximately $1.9 million) (2015: JPY154.4 million (approximately $1.8 million)) that are held as collaterals (Note 8).

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

CONSOLIDATED
STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

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	
	2016	**2015**
	$'000	**$'000**
Investment properties	**13,944**	92,810
Acquisition related costs	**1,051**	4,773
Cash outflow/cash consideration paid	**14,995**	97,583

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 22 March 2017.

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 by the First Supplemental Deed dated 12 November 2009, the Second Supplemental Deed dated 30 March 2010 and the Third Supplemental Deed dated 31 March 2016) (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 and 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 2016

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 is paid annually in arrears, regardless of whether it is paid in the form of cash and/or units.

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:

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

1. GENERAL (CONT'D)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

1. GENERAL (CONT'D)

(C) Manager's acquisition and divestment fees (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

2. BASIS OF PREPARATION (CONT'D)

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.

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 2016

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 Combinations* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

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. 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.

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 initially recognised at cost and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair value of investment properties 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. 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.

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 receivables.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

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 and hedged item, 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.

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. 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. When the hedged item is a non-financial asset, the amount accumulated in the Unitholders' fund is retained in Unitholders' fund and is reclassified to statement of total return in the same period or periods during which the non-financial item affects 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 has occurred after the initial recognition of the asset, and that the loss event 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, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Interest on the impaired asset continues to be recognised. 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.

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.

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Non-financial assets (cont'd)

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.

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 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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Expenses (cont'd)

(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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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.

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.

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Income tax expense (cont'd)

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);
- An international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

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.

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

Applicable to 2017 financial statements

Revision to RAP 7

RAP 7 was revised in June 2016 to take into account, amongst others, the changes made to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosures* in relation to the offsetting of financial assets and liabilities; and new standards issued after 2012 including FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interest in Other Entities* and FRS 113 *Fair Value Measurement*. RAP 7 (Revised June 2016) is applicable to unit trusts with annual periods beginning on or after 1 July 2016. Certain additional disclosures would be required by the Revised RAP 7.

Applicable to 2018 financial statements

FRS 115 ***Revenue from Contracts with Customers***

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Potential impact on the financial statements

The Group does not expect the impact on the financial statements to be significant.

The Group plans to adopt the standard when it becomes effective in 2018.

FRS 109 ***Financial Instruments***

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

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Potential impact on the financial statements

The Group's initial assessment of the three elements of FRS 109 is as described below.

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FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 New standards and interpretations not yet adopted (cont'd)

Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109.

Impairment

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. On adoption of FRS 109, the Group does not expect a significant impairment loss allowance.

Hedge accounting

The Group holds derivative financial instruments to manage its exposure to interest rate and foreign currency movements. The Group is currently assessing whether all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements

The Group does not expect the impact on the financial statements to be significant.

The Group plans to adopt the standard when it becomes effective in 2019.

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

4. INVESTMENT PROPERTIES

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**1,635,308**	1,500,610	**1,037,400**	1,053,600
Acquisition of investment properties	**13,944**	95,272	**–**	–
Acquisition related costs	**949**	1,180	**–**	–
Disposal of investment properties	**(42,588)**	–	**–**	–
Capital expenditure	**4,961**	6,041	**2,796**	4,829
Translation difference	**26,476**	26,471	**–**	–
	1,639,050	1,629,574	**1,040,196**	1,058,429
Net change in fair value of investment properties	**18,159**	5,734	**17,004**	(21,029)
At 31 December	**1,657,209**	1,635,308	**1,057,200**	1,037,400

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2016 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 independent professional valuers have considered valuation techniques including direct capitalisation and discounted cash flow approach.

The direct capitalisation 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.

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 determining the fair value, the valuers have used valuation methods which involved certain estimates. In assessing the fair value measurements, the Manager reviews the valuation methodologies and evaluates the assessments made by the valuers. The Manager is of the view that the valuation methods and estimates are reflective of the current market conditions.

Fair value hierarchy

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.

Reconciliations from the beginning balances to the ending balances for fair value measurements of level 3 investment properties are set out in the above table.

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FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

4. INVESTMENT PROPERTIES (CONT'D)

Significant unobservable inputs

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
Discounted cash flow approach	• Risk-adjusted discount rates range from 5.0% to 7.5% (2015: 5.1% to 7.8%). • Terminal yield rates range from 4.5% to 7.1% (2015: 5.4% to 7.5%).	The estimated fair value would increase/(decrease) if: • the risk-adjusted discount rates were lower/(higher); or • the terminal yield rates were lower/(higher).
Direct capitalisation approach	• Capitalisation rates range from 4.0% to 7.1% (2015: 4.5% to 7.4%).	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/(higher).

Key unobservable inputs correspond to:

- 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.
- Capitalisation rate corresponds to a rate of return on investment properties on the expected annual income that the property will generate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

5. INTERESTS IN SUBSIDIARIES

	Trust	
	2016	**2015**
	$'000	**$'000**
Equity investments, at cost	**556,887**	553,832
Amount due from subsidiary (non-trade)	**4,075**	4,075
	560,962	557,907

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, in substance, forms 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 2016 %	2015 %
* Matsudo Investment Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Phoebe	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	Special purpose entity – Investment in real estate	Japan	**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 (1)	Special purpose entity – Investment in real estate	Japan	**100**	100
** 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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

5. INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group 2016 %	2015 %
*	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	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 (1)	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**	100
	** Godo Kaisha Samurai 11 (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
*	Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore	**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 2016

6. FINANCIAL DERIVATIVES

	Group and Trust	
	2016 $'000	2015 $'000
Current derivative assets	**335**	–
Non-current derivative assets	**210**	2,647
Total derivative assets	**545**	2,647
Current derivative liabilities	**(336)**	–
Non-current derivative liabilities	**(8,002)**	(3,457)
Total derivative liabilities	**(8,338)**	(3,457)
Total derivative liabilities (net)	**(7,793)**	(810)

	Group		Trust	
	2016 %	2015 %	2016 %	2015 %
Percentage of derivative assets to unitholders' funds	**0.1**	0.3	**0.1**	0.3
Percentage of derivative liabilities to unitholders' funds	**0.8**	0.3	**0.9**	0.3

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 $506,515,900 (2015: $485,845,600) to provide fixed rate funding for terms of 1 to 5 years (2015: 1 to 5 years) at a weighted average effective interest rate of 0.60% (2015: 0.61%) per annum.

As at 31 December 2016, 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 $1.0 million loss (2015: $0.5 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 $0.7 million gain (2015: $0.1 million gain) was credited 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 $28.6 million (2015: $41.8 million). The change in fair value of $2.5 million loss (2015: $4.2 million loss) 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 (2015: $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 $2.9 million loss (2015: $6.2 million loss) and $1.6 million loss (2015: $1.6 million gain) were recognised in the foreign currency translation reserve and hedging reserve, respectively.

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

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 ("ISDA") master netting agreements. In general, under such 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 agreements 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 2016					
Financial assets					
Forward foreign exchange contracts	**545**	**–**	**545**	**–**	**545**
Financial liabilities					
Interest rate swaps used for hedging	**(3,039)**	**–**	**(3,039)**	**–**	**(3,039)**
Cross currency interest rate swap used for hedging	**(4,437)**	**–**	**(4,437)**	**–**	**(4,437)**
Forward foreign exchange contracts	**(862)**	**–**	**(862)**	**–**	**(862)**
Total	**(8,338)**	**–**	**(8,338)**	**–**	**(8,338)**
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 2016

7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Amounts due from related party (trade)	**9,596**	9,390	**9,596**	9,390
Other receivables	**158**	255	**–**	–
Loans and receivables	**9,754**	9,645	**9,596**	9,390
Prepayments	**750**	740	**7**	8
	10,504	10,385	**9,603**	9,398

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

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

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Hospitals and medical centres	**9,596**	9,390	**9,596**	9,390

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 and the Trust. Accordingly, the Group's most significant outstanding trade receivable amounts to $9,596,000 (2015: $9,390,000) 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 2016, the Trust has in its possession several bankers' guarantees in its favour amounting to $7.5 million (2015: $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	Impairment losses	Gross	Impairment losses
	2016	**2016**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Group and Trust				
Not past due	**9,596**	**–**	9,390	–

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

8. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash and cash equivalents in the statement of financial position	**71,096**	20,358	**924**	427
Less cash collateral received	**(1,912)**	(1,815)	**–**	–
Cash and cash equivalents in the cash flow statement	**69,184**	18,543	**924**	427

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 (approximately $1.9 million)).

To further support the Rental Income Guarantee, a cash collateral of JPY154,350,000, approximately $1.9 million (2015: JPY154,350,000, approximately $1.8 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.

9. TRADE AND OTHER PAYABLES

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables and accrued operating expenses	**10,070**	6,530	**3,517**	4,004
Amounts due to related parties:				
– the Manager (trade)	**5,913**	1,643	**5,910**	1,639
– the Manager (non-trade)	**123**	166	**123**	166
– the Trustee (trade)	**50**	77	**50**	77
– related corporation (non-trade)	**235**	240	**–**	–
Interest payable	**814**	805	**814**	805
Advance rent received	**6,277**	6,268	**2,500**	2,500
	23,482	15,729	**12,914**	9,191

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

The non-trade amounts due to the Manager and related corporation are unsecured, interest-free, and 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
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10. LOANS AND BORROWINGS

	Group and Trust 2016 $'000	Group and Trust 2015 $'000
Current liability		
Unsecured bank loan	**16,246**	1,000
Non-current liabilities		
Unsecured bank loans	**574,034**	588,398
Unsecured medium term notes	**40,887**	–
Unamortised transaction costs	**(2,382)**	(2,210)
	612,539	586,188

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	2016 Face value $'000	2016 Carrying amount $'000	2015 Face value $'000	2015 Carrying amount $'000
S$ variable rate loans	Bank's cost of fund	2016 & 2017	**16,200**	**16,200**	1,000	1,000
JPY variable rate loans	Bank's cost of fund	2017	**46**	**46**	–	–
JPY floating rate loans	LIBOR + margin	2017	**–**	**–**	71,465	71,236
JPY floating rate loans	LIBOR + margin	2018	**73,857**	**73,192**	109,721	109,396
JPY floating rate loans	LIBOR + margin	2019	**145,335**	**145,094**	137,944	137,615
S$ floating rate loan	SOR + margin	2019	**50,000**	**49,834**	50,000	49,769
S$ floating rate loan	SOR + margin	2020	**75,188**	**74,886**	75,188	74,808
JPY floating rate loans	LIBOR + margin	2020	**99,119**	**98,794**	94,080	93,652
S$ floating rate loan	SOR + margin	2021	**50,000**	**49,762**	50,000	49,712
JPY floating rate loan	LIBOR + margin	2021	**80,535**	**80,135**	–	–
JPY medium term notes	0.58%	2022	**40,887**	**40,842**	–	–
			631,167	**628,785**	589,398	587,188

SOR denotes Swap Offer Rate
LIBOR denotes London Interbank Offered Rate

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YEAR ENDED 31 DECEMBER 2016

10. LOANS AND BORROWINGS (CONT'D)

The loans and borrowings comprise the following:

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

As at the reporting date, the Group has in place various long term unsecured term loans and revolving credit facilities totalling JPY40,991 million (approximately $507.9 million) and $175.2 million (2015: JPY35,137 million (approximately $413.2 million) and $175.2 million) (the "Long Term Facilities") of which JPY32,191 million (approximately $398.8 million) and $175.2 million (2015: JPY35,137 million (approximately $413.2 million) and $175.2 million) has been utilised. 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) Unsecured Medium Term Notes

Parkway Life REIT, through its wholly owned subsidiary, Parkway Life MTN Pte. Ltd. (the "MTN Issuer"), has established a $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").

Each series or tranche of notes may be issued in varying amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes or zero coupon notes may also be issued under the MTN Programme.

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 rank *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 31 December 2016, the outstanding notes issued under the MTN Programme was JPY3,300 million (approximately $40.9 million) maturing in 2022.

(3) 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 2016, a total of JPY3.7 million (approximately $0.05 million) and $16.2 million (2015: $1.0 million) was drawn down via the Short Term Facilities for working capital up to 3 months.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

11. DEFERRED TAX LIABILITIES

	At 1 January $'000	Recognised in statement of total return (note 20) $'000	Translation differences $'000	At 31 December $'000
Group				
2016				
Deferred tax liabilities				
Investment properties	**19,750**	**(139)**	**1,122**	**20,733**
2015				
Deferred tax liabilities				
Investment properties	11,773	7,452	525	19,750

12. UNITHOLDERS' FUNDS

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Unitholders' contribution	**684,176**	695,973	**684,176**	695,973
Revenue reserve	**352,957**	324,433	**298,766**	313,511
Hedging reserve	**(3,745)**	(1,544)	**(3,745)**	(1,544)
Foreign currency translation reserve	**4,248**	4,325	**–**	–
	1,037,636	1,023,187	**979,197**	1,007,940

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 used to hedge against cash flow variability arising from interest payments on floating rate loans.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

13. UNITS IN ISSUE

	Trust	
	2016 ('000)	2015 ('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;
- 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Property rental income	**109,809**	102,484	**65,495**	64,668
Dividend income from subsidiaries	**–**	–	**18,583**	10,172
Other income	**314**	210	**–**	–
	110,123	102,694	**84,078**	74,840

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

15. PROPERTY EXPENSES

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Operations and maintenance expenditure	**4,445**	4,254	**3,118**	3,118
Property tax	**2,739**	2,267	**–**	–
Property and lease management fees	**15**	16	**–**	–
Land rental	**150**	138	**–**	–
Marketing services commission	**282**	–	**275**	–
Others	**66**	22	**–**	–
	7,697	6,697	**3,393**	3,118

16. MANAGEMENT FEES

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Base fees	**5,211**	4,974	**5,211**	4,974
Performance fees	**4,609**	4,320	**4,609**	4,320
Divestment fees	**–**	–	**229**	–
Asset management fees	**1,293**	1,118	**–**	–
	11,113	10,412	**10,049**	9,294

17. TRUST EXPENSES

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trustee fees	**300**	290	**300**	290
Valuation fees	**163**	175	**163**	175
Audit fees paid to:				
– auditors of the Trust	**144**	144	**123**	117
– other auditors	**116**	113	**–**	–
Non-audit fees paid to auditors of the Trust	**59**	176	**48**	166
Professional fees	**1,618**	1,198	**1,081**	706
Other expenses	**470**	537	**325**	412
	2,870	2,633	**2,040**	1,866

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

18. FINANCE COSTS

	Group and Trust 2016 $'000	2015 $'000
Interest paid and payable		
– bank loans	**7,305**	7,569
– financial derivatives	**1,736**	336
	9,041	7,905
Amortisation of transaction costs relating to debt facilities	**866**	867
Others	**3**	6
	9,910	8,778

19. GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

Gain on disposal of investment properties arose from the divestment of four Japan properties with legal completion on 22 December 2016.

20. INCOME TAX EXPENSE

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current tax expense				
Withholding tax	**8,353**	4,444	**–**	–
Income tax expense	**31**	43	**–**	–
	8,384	4,487	**–**	–
Deferred tax expense				
Movement in temporary differences	**(139)**	7,452	**–**	–
	(139)	7,452	**–**	–
Total	**8,245**	11,939	**–**	–

Reconciliation of effective tax rate

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Total return/(loss) for the year before income tax	**100,174**	78,927	**48,660**	(2,232)
Income tax using Singapore tax rate of 17% (2015: 17%)	**17,030**	13,418	**8,272**	(379)
Effect of different tax rate in foreign jurisdictions	**1,482**	1,982	**–**	–
Income not subject to tax	**(3,587)**	(808)	**(4,363)**	(517)
Non-tax deductible items	**2,339**	6,387	**5,110**	9,936
Tax transparency	**(9,019)**	(9,040)	**(9,019)**	(9,040)
	8,245	11,939	**–**	–

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Total return before income tax and distribution	**100,174**	78,927	**48,660**	(2,232)
Less: Income tax expense	**(8,245)**	(11,939)	**–**	–
Total return after income tax, before distribution	**91,929**	66,988	**48,660**	(2,232)

	Group and Trust	
	2016	**2015**
	Number of Units	**Number of Units**
	('000)	**('000)**
Weighted average number of units in issue	**605,002**	605,002

	Group		Trust	
	2016	**2015**	**2016**	**2015**
Basic earnings per unit (cents)	**15.19**	11.07	**8.04**	(0.37)

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Capital commitments:				
– contracted but not provided for	**2,518**	2,049	**2,164**	1,777
– authorised but not contracted for	**6,670**	4,168	**6,105**	3,912
	9,188	6,217	**8,269**	5,689

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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	
	2016 $'000	2015 $'000
Within 1 year	–	141
After 1 year but within 5 years	–	564
After 5 years	–	5,130
	–	5,835

The Group has disposed of the remaining leasehold property on 22 December 2016.

(b) Operating lease rental receivable

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

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within 1 year	**105,459**	105,291	**65,872**	65,102
After 1 year but within 5 years	**420,628**	411,696	**263,488**	260,410
More than 5 years	**303,401**	394,406	**42,050**	106,661
	829,488	911,393	**371,410**	432,173

Since August 2007, the Group leases out its investment properties in Singapore to PHS, a related party of the Manager and 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 2021.

As at 31 December 2016, 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 Gleneagles Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.). These lessees are related corporations of the Manager and the Trust.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Related corporations of the Manager				
Rental income received/receivable	**65,920**	65,135	**65,495**	64,668
Other income received/receivable	**33**	35	**–**	–
The Manager				
Manager's management fees paid/payable	**9,820**	9,294	**9,820**	9,294
Acquisition fees paid/payable to the Manager	**132**	876	**132**	876
Divestment fees paid/payable to the Manager	**229**	–	**229**	–
Travelling expenses reimbursed to the Manager	**276**	371	**276**	371
Property and lease management fees paid/payable to the Manager	**15**	16	**–**	–
Marketing services commission paid/payable to the Manager	**282**	–	**275**	–
The Trustee				
Trustee's fees paid/payable	**300**	290	**300**	290

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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 and 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 2016

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 2016, the Group has uncommitted short term credit facilities of approximately $133.7 million (2015: $149.0 million) that can be drawn down to meet short term financing needs. Furthermore, the Group has put in place a $500 million MTN Programme.

As at 31 December 2016, the outstanding notes issued under the MTN Programme was JPY3,300 million (approximately $40.9 million).

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

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

	Carrying amount $'000	Contractual cash flows $'000	Cash flow: Within 1 year $'000	Cash flow: 1 to 5 years $'000	Cash flow: More than 5 years $'000
Group					
2016					
Non-derivative financial liabilities					
S$ unsecured bank loans	191,388	(198,726)	(18,267)	(180,459)	–
JPY unsecured bank loans	398,892	(408,260)	(3,483)	(404,777)	–
JPY medium term notes	40,887	(42,130)	(237)	(949)	(40,944)
Security deposits	20,380	(20,380)	(2,676)	(207)	(17,497)
Trade and other payables ^	17,205	(17,205)	(17,205)	–	–
	668,752	(686,701)	(41,868)	(586,392)	(58,441)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– assets	(27,555)	28,601	10,839	17,762	–
– liabilities	27,872	(28,946)	(10,715)	(18,231)	–
Cross currency interest rate swap (gross-settled)					
– liabilities	4,437	(4,605)	(1,239)	(3,366)	–
Interest rate swaps used for hedging (net-settled)	3,039	(3,154)	(1,505)	(1,649)	–
	7,793	(8,104)	(2,620)	(5,484)	–
	676,545	(694,805)	(44,488)	(591,876)	(58,441)
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 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	<---- Cash flow ----> Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000
Trust					
2016					
Non-derivative financial liabilities					
S$ unsecured bank loans	191,388	(198,726)	(18,267)	(180,459)	–
JPY unsecured bank loans	398,892	(408,260)	(3,483)	(404,777)	–
JPY medium term notes	40,887	(42,130)	(237)	(949)	(40,944)
Trade and other payables ^	10,414	(10,414)	(10,414)	–	–
	641,581	(659,530)	(32,401)	(586,185)	(40,944)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– assets	(27,555)	28,601	10,839	17,762	–
– liabilities	27,872	(28,946)	(10,715)	(18,231)	–
Cross currency interest rate swap (gross-settled)					
– liabilities	4,437	(4,605)	(1,239)	(3,366)	–
Interest rate swaps (net-settled)	3,039	(3,154)	(1,505)	(1,649)	–
	7,793	(8,104)	(2,620)	(5,484)	–
	649,374	(667,634)	(35,021)	(591,669)	(40,944)
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)

^ Excludes rent received in advance

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

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.

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.

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FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

The Group's exposure to various foreign currencies (excluding the JPY denominated loans, JPY medium term notes 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			
2016			
Cash and cash equivalents	12	295	307
Trade and other payables	(800)	–	(800)
Financial derivatives	(28,051)	–	(28,051)
Net exposure	(28,839)	295	(28,544)
2015			
Cash and cash equivalents	21	307	328
Trade and other payables	(785)	–	(785)
Financial derivatives	(37,808)	–	(37,808)
Net exposure	(38,572)	307	(38,265)

The Trust's exposure 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			
2016			
Cash and cash equivalents	–	33	33
Trade and other payables	(800)	–	(800)
Loans and borrowings	(439,779)	–	(439,779)
Financial derivatives	(28,051)	–	(28,051)
Net exposure	(468,630)	33	(468,597)
2015			
Cash and cash equivalents	21	40	61
Trade and other payables	(785)	–	(785)
Loans and borrowings	(413,211)	–	(413,211)
Financial derivatives	(37,808)	–	(37,808)
Net exposure	(451,783)	40	(451,743)

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

Sensitivity analysis

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

	Statement of total return	
	2016 $'000	2015 $'000
Group		
JPY	2,884	3,857
MYR	(30)	(31)
Trust		
JPY	46,863	45,178
MYR	(3)	(4)

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 issues Japanese Yen fixed rate notes, 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 2016, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to $26.8 million loss (2015: $58.4 million loss).

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	
	2016 $'000	2015 $'000
Fixed rate instrument		
Medium term notes	**40,887**	–
Variable rate instruments		
Interest rate swaps	**506,516**	485,846
Cross currency interest rate swap	**75,188**	75,188
Loans and borrowings	**(590,280)**	(589,398)
	(8,576)	(28,364)

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

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.

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 2016				
Loans and borrowings	(5,903)	5,903	–	–
Interest rate swaps	5,065	(5,065)	7,568	(9,772)
Cross currency interest rate swap	752	(752)	2,909	(3,048)
Cash flow sensitivity (net)	(86)	86	10,477	(12,820)
31 December 2015				
Loans and borrowings	(5,894)	5,894	–	–
Interest rate swaps	4,858	(4,858)	10,304	(15,680)
Cross currency interest rate swap	752	(752)	3,661	(3,873)
Cash flow sensitivity (net)	(284)	284	13,965	(19,553)

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 financial position 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 45% of the fund's Deposited Property.

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 2016 was 36.3% (2015: 35.3%) of the Group's Deposited Property. This complied with the stipulated Aggregate Leverage limit.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

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 2016										
Financial assets measured at fair value										
Forward foreign exchange contracts	6	–	545	–	–	545	–	545	–	545
Financial assets not measured at fair value										
Trade and other receivables *	7	9,754	–	–	–	9,754				
Cash and cash equivalents	8	71,096	–	–	–	71,096				
		80,850	–	–	–	80,850				
Financial liabilities measured at fair value										
Cross currency interest rate swap used for hedging		–	–	–	(4,437)	(4,437)	–	(4,437)	–	(4,437)
Interest rate swaps used for hedging		–	–	–	(3,039)	(3,039)	–	(3,039)	–	(3,039)
Forward foreign exchange contracts		–	(862)	–	–	(862)	–	(862)	–	(862)
	6	–	(862)	–	(7,476)	(8,338)				
Financial liabilities not measured at fair value										
Loans and borrowings										
– Unsecured bank loans		–	–	(587,943)	–	(587,943)				
– Medium term notes		–	–	(40,842)	–	(40,842)	(41,002)	–	–	(41,002)
Trade and other payables ^		–	–	(17,205)	–	(17,205)				
Security deposits		–	–	(20,380)	–	(20,380)	–	–	(17,607)	(17,607)
		–	–	(666,370)	–	(666,370)				

* 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 2016

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
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				
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		–	–	(587,188)	–	(587,188)				
Trade and other payables ^		–	–	(9,461)	–	(9,461)				
Security deposits		–	–	(19,386)	–	(19,386)	–	–	(16,787)	(16,787)
		–	–	(616,035)	–	(616,035)				

* 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 2016

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
Trust										
31 December 2016										
Financial assets measured at fair value										
Forward foreign exchange contracts	6	–	545	–	–	545	–	545	–	545
Financial assets not measured at fair value										
Trade and other receivables *	7	9,596	–	–	–	9,596				
Cash and cash equivalents	8	924	–	–	–	924				
		10,520	–	–	–	10,520				
Financial liabilities measured at fair value										
Cross currency interest rate swap used for hedging		–	–	–	(4,437)	(4,437)	–	(4,437)	–	(4,437)
Interest rate swaps used for hedging		–	–	–	(3,039)	(3,039)	–	(3,039)	–	(3,039)
Forward foreign exchange contracts		–	(862)	–	–	(862)	–	(862)	–	(862)
	6	–	(862)	–	(7,476)	(8,338)				
Financial liabilities not measured at fair value										
Loans and borrowings										
– Unsecured bank loans		–	–	(587,943)	–	(587,943)				
– Medium term notes		–	–	(40,842)	–	(40,842)	(41,002)	–	–	(41,002)
Trade and other payables ^		–	–	(10,414)	–	(10,414)				
		–	–	(639,199)	–	(639,199)				

* 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 2016

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
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		–	–	(587,188)	–	(587,188)				
Trade and other payables ^		–	–	(6,691)	–	(6,691)				
Security deposits		–	–	(3)	–	(3)				
		–	–	(593,882)	–	(593,882)				

* 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 2016

24. FINANCIAL INSTRUMENTS (CONT'D)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Group and Trust	
Derivatives: interest rate swaps, forward foreign currency contracts and cross currency interest rate swap	*Market comparison technique:* The fair values are based on valuations provided by the financial institutions that are the counterparties to the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

Financial instruments not measured at fair value

Type	Valuation technique	Key unobservable inputs
Group and Trust		
Security deposits	Discounted cash flows	Discount rate – 1.03% (2015: 1.11%)

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings which reprice within three months) are assumed to approximate their fair values because of the short period to maturity or repricing.

(ii) Transfer between Level 1 and 2

During the financial year ended 31 December 2016, there were no transfers between Level 1 and Level 2.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25. FINANCIAL RATIOS

	2016 %	2015 %
Ratio of expenses to weighted average net assets [1]		
– excluding performance component of Manager's fees	**0.91**	0.85
– including performance component of Manager's fees	**1.36**	1.27
Portfolio turnover rate [2]	**4.13**	9.37

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.

The Group is engaged in a single business of investing in investment properties in the healthcare and/or healthcare-related sector, namely hospital and medical centres, nursing homes and pharmaceutical manufacturing and distributing facility. During the reporting year, the Group had three reportable geographical segments in Singapore, Japan and Malaysia.

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 2016

26. OPERATING SEGMENTS (CONT'D)

	Hospital and Medical Centres		Nursing Homes		Pharmaceutical Manufacturing and Distribution Facility		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue and expenses								
Gross revenue	**65,999**	65,219	**41,872**	35,445	**2,252**	2,030	**110,123**	102,694
Net property income	**62,752**	61,973	**37,805**	32,091	**1,869**	1,933	**102,426**	95,997
Interest income	**2**	3	**2**	8	**–**	–	**4**	11
Foreign exchange gain/(loss)	**2**	(413)	**1,157**	3,192	**75**	313	**1,234**	3,092
Non-property expenses	**(7,620)**	(7,787)	**(5,963)**	(4,938)	**(365)**	(286)	**(13,948)**	(13,011)
Finance costs	**(2,673)**	(2,001)	**(6,786)**	(6,356)	**(451)**	(421)	**(9,910)**	(8,778)
Total return before change in fair value of financial derivatives, investment properties and gain on disposal of investment properties	**52,463**	51,775	**26,215**	23,997	**1,128**	1,539	**79,806**	77,311
Net change in fair value of financial derivatives	**–**	–	**(1,792)**	(3,596)	**(120)**	(488)	**(1,912)**	(4,084)
Net change in fair value of investment properties	**16,911**	(20,847)	**10,986**	25,092	**(9,738)**	1,489	**18,159**	5,734
Gain on disposal of investment properties	**–**	–	**4,156**	–	**–**	–	**4,156**	–
Total return before income tax	**69,374**	30,928	**39,565**	45,493	**(8,730)**	2,540	**100,209**	78,961
Income tax (expense)/credit	**(50)**	(77)	**(9,239)**	(11,240)	**1,044**	(621)	**(8,245)**	(11,938)
Total return after income tax	**69,324**	30,851	**30,326**	34,253	**(7,686)**	1,919	**91,964**	67,023
Assets and liabilities								
Reportable segment assets	**1,075,487**	1,055,210	**633,518**	575,621	**30,297**	38,536	**1,739,302**	1,669,367
Reportable segment liabilities	**124,554**	106,445	**543,377**	506,300	**33,778**	33,463	**701,709**	646,208
Other segment information								
Capital expenditure	**2,773**	4,829	**25**	1,112	**2,163**	100	**4,961**	6,041

NOTES TO THE
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

26. OPERATING SEGMENTS (CONT'D)

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

	2016 $'000	2015 $'000
Revenue		
Total revenue for reportable segments	**110,123**	102,694
Total return before income tax		
Total return for reportable segments	**100,209**	78,961
Unallocated amounts:		
– Other corporate expenses	**(35)**	(34)
Consolidated return before income tax	**100,174**	78,927
Assets		
Total assets for reportable segments	**1,739,302**	1,669,367
Other unallocated amounts	**52**	37
Consolidated total assets	**1,739,354**	1,669,404
Liabilities		
Total liabilities for reportable segments	**701,709**	646,208
Other unallocated amounts	**9**	9
Consolidated total liabilities	**701,718**	646,217
Geographical information		
Revenue		
Singapore	**65,495**	64,668
Japan	**44,124**	37,475
Malaysia	**504**	551
	110,123	102,694
Non-current assets *		
Singapore	**1,057,200**	1,037,400
Japan	**592,849**	591,187
Malaysia	**7,160**	7,427
	1,657,209	1,636,014

* Non-current assets presented consist of investment properties and security deposits receivable

27. SUBSEQUENT EVENTS

In December 2016, the Group secured a JPY8,800 million (approximately $109.0 million) term loan facility to refinance and term out the remaining loan due in 2018 as well as for working capital purpose. Subsequent to 31 December 2016, the Group has drawn down a portion of the term loan facility, amounting to JPY5,961 million (approximately $73.9 million), for repayment of loan due in 2018.

On 24 January 2017, the Manager declared a distribution of 3.06 cents per unit in respect of the period 1 October 2016 to 31 December 2016 which was paid on 24 February 2017.

On 17 February 2017, the Group, through its wholly-owned subsidiary, Parkway Life Japan4 Pte. Ltd., executed an agreement to participate as an investor in relation to the acquisition of four nursing homes and one group home located in Japan for a total cash consideration of JPY4.759 billion (approximately $59.5 million). The acquisition of the properties was made through a special purpose vehicle, Godo Kaisha Samurai 12, in which Parkway Life Japan4 Pte. Ltd. has made a *Tokumei Kumiai* investment. This acquisition was completed on 24 February 2017. This acquisition was partially funded by the proceeds from the recent divestment completed on 22 December 2016 and partially through long-term debts.

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	65,495
Gleneagles Hospital (Kuala Lumpur) Sdn Bhd	
– Property rental income	296
Parkway Trust Management Limited	
– Manager's management fees	9,820
– Manager's acquisition fees	132
– Manager's divestment fees	229
– Marketing services commission to the Manager	282
– Travelling expenses reimbursed to the Manager	276
HSBC Institutional Trust Services (Singapore) Limited	
– Trustee's fees	300

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 2016.

Out of the travelling expenses reimbursed to the Manager, non-deal roadshow expenses of $57,000 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 2017

ISSUED UNITS

There were 605,002,386 Units (voting rights: one vote per Unit) issued in Parkway Life REIT as at 1 March 2017.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	180	2.29	7,762	0.00
100 – 1,000	2,312	29.47	1,515,335	0.25
1,001 – 10,000	4,091	52.14	18,900,545	3.12
10,001 – 1,000,000	1,244	15.86	55,281,828	9.14
1,000,001 AND ABOVE	19	0.24	529,296,916	87.49
Total	**7,846**	**100.00**	**605,002,386**	**100.00**

Country	No. of Unitholders	%	No. of Units	%
Singapore	7,575	96.55	601,150,447	99.36
Malaysia	151	1.92	2,395,108	0.40
Others	120	1.53	1,456,831	0.24
Total	**7,846**	**100.00**	**605,002,386**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of units	%
1	Parkway Investments Pte Ltd	213,257,000	35.25
2	Citibank Nominees Singapore Pte Ltd	107,184,065	17.72
3	DBS Nominees (Private) Limited	96,568,094	15.96
4	HSBC (Singapore) Nominees Pte Ltd	39,705,901	6.56
5	Raffles Nominees (Pte) Limited	29,261,894	4.84
6	United Overseas Bank Nominees (Private) Limited	10,643,243	1.76
7	BNP Paribas Securities Services Singapore Branch	7,746,106	1.28
8	DBSN Services Pte. Ltd.	7,333,575	1.21
9	DB Nominees (Singapore) Pte Ltd	3,461,829	0.57
10	Parkway Trust Management Limited	2,575,486	0.43
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,783,214	0.29
12	Lim Cheok Peng	1,559,000	0.26
13	OCBC Nominees Singapore Private Limited	1,279,592	0.21
14	Phillip Securities Pte Ltd	1,238,055	0.20
15	DBS Vickers Securities (Singapore) Pte Ltd	1,230,775	0.20
16	ABN Amro Nominees Singapore Pte Ltd	1,201,400	0.20
17	BNP Paribas Nominees Singapore Pte Ltd	1,185,000	0.20
18	Maybank Kim Eng Securities Pte. Ltd.	1,075,827	0.18
19	OCBC Securities Private Limited	1,006,860	0.17
20	UOB Kay Hian Private Limited	896,525	0.15
	Total	**530,193,441**	**87.64**

STATISTICS OF **UNITHOLDINGS**

AS AT 1 MARCH 2017

DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2017

No.	Name of Directors	Units Held	Units in which the Directors are deemed to have an interest
1.	Lim Kok Hoong	–	–
2.	Dr. Jennifer Lee Gek Choo	–	–
3.	Ho Kian Guan	–	–
4.	Dr. Tan See Leng	–	–
5.	Dr. Lim Suet Wun	–	–
6.	Tan See Haw #	–	–
7.	Rossana Annizah Binti Ahmad Rashid	–	–
8.	Yong Yean Chau	135,500	392,000
9.	Low Soon Teck ^	–	–

\# Resigned on 28 February 2017
^ Appointed on 28 February 2017

SUBSTANTIAL UNITHOLDERS AS AT 1 MARCH 2017

(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	–	215,832,486
12.	Parkway Holdings Limited	Note 11	–	215,832,486
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	–	35,859,800
17.	MBC Investments Corporation	Note 15	–	35,845,200
18.	BNY Mellon Investment Management (Jersey) Ltd.	Note 16	–	36,242,500
19.	BNY Mellon Investment Management (Europe) Ltd.	Note 16	–	36,242,500
20.	BNY Mellon Investment Management Europe Holdings Limited	Note 16	–	36,242,500
21.	BNY Mellon International Asset Management Group Limited	Note 16	–	36,242,500
22.	Newton Management Limited	Note 16	–	36,242,500
23.	Newton Investment Management Limited, subsidiary of The Bank of New York Mellon Corporation	–	36,242,500	–

STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2017

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

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 2,575,486 units respectively.

STATISTICS OF **UNITHOLDINGS**

AS AT 1 MARCH 2017

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 2017, approximately 51.69% 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 2017.

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 Monday, 24 April 2017 at 9.00 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 2016 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)**

3. To endorse the appointments of the following directors of the Manager (the "**Directors**"), pursuant to the undertaking dated 16 March 2017 provided by Parkway Holdings Limited to the Trustee:

   (a) Dr. Jennifer Lee Gek Choo (**Ordinary Resolution 3**);

   (b) Dr. Tan See Leng (**Ordinary Resolution 4**); and

   (c) Mr. Yong Yean Chau (**Ordinary Resolution 5**).

   (Please see Explanatory Notes).

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 2017

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 9.00 a.m. on 21 April 2017, 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.

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes

Ordinary Resolutions 3 to 5

(1) Parkway Holdings Limited has on 16 March 2017 provided an undertaking (the "**Undertaking**") to the Trustee that:

- for so long as the board of directors of the Manager (the "**Board**") does not comprise at least half independent Directors, it will procure the Manager to include in the agenda for each annual general meeting of Parkway Life REIT (commencing from the annual general meeting to be held in 2017), the resolutions to endorse the appointment of at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third);

- for so long as the Board does not comprise at least half independent Directors, it will:

  – procure the Manager to seek Unitholder's re-endorsement for the appointment of each Director no later than every third annual general meeting of Parkway Life REIT after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be;

  – (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Directors, at any time) procure the Manager to seek Unitholders' endorsement for his appointment as a Director at the next annual general meeting of Parkway Life REIT immediately following his appointment;

  – procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of Parkway Life REIT where the endorsement or re-endorsement (as the case may be) for his/her appointment was sought, to resign or otherwise be removed from the Board either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained,

the performance of which shall in each case be subject to and in accordance with applicable laws and regulations.

(2) The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting.

(3) Subject to paragraph (1) above, the Undertaking shall not restrict Parkway Holdings Limited or the Manager from appointing any Director from time to time in accordance with the applicable laws and regulations (including any applicable rule of Singapore Exchange Securities Trading Limited) and the Constitution of the Manager.

(4) The Undertaking shall remain in force for so long as:

- Parkway Holdings Limited remains as the holding company (as defined in the Companies Act, Chapter 50 of Singapore) of the Manager; and

- Parkway Trust Management Limited remains as the manager of Parkway Life REIT.

(5) Detailed information on the Directors (including their current directorships in other listed companies and details of other principal commitments) can be found in "Board of Directors" section of Parkway Life REIT's Annual Report 2016.

(6) Upon endorsement, each of Dr. Jennifer Lee Gek Choo, Dr. Tan See Leng and Mr. Yong Yean Chau will continue to serve as a Director on the Board. Dr. Jennifer Lee Gek Choo will continue to serve as an Independent Director. Dr. Tan See Leng will continue to serve as a Non-Executive Director. Mr. Yong Yean Chau will continue to serve as the Executive Director.

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/SRS investors and shall be ineffective for all intents and purposes if used or is purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
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 2017.

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 Monday, 24 April 2017 at 9.00 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 2016 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.		
3.	To endorse the appointment of Dr. Jennifer Lee Gek Choo as Director.		
4.	To endorse the appointment of Dr. Tan See Leng as Director.		
5.	To endorse the appointment of Mr. Yong Yean Chau as Director.		

* 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 ____________ 2017.

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 9.00 a.m. on 21 April 2017, 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 (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) maintained by The Central Depository (Pte) Limited ("**CDP**"), 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, Chairman of the Board and Audit Committee

Dr. Jennifer Lee Gek Choo
Independent Director and Chairman of the Nominating and Remuneration Committee

Mr. Ho Kian Guan
Independent Director

Dr. Tan See Leng
Non-Executive Director

Dr. Lim Suet Wun
Non-Executive Director

Ms. Rossana Annizah Binti Ahmad Rashid
Non-Executive Director

Mr. Low Soon Teck
Non-Executive Director

Mr. Yong Yean Chau
Chief Executive Officer and Executive Director

AUDIT COMMITTEE

Mr. Lim Kok Hoong
Chairman

Dr. Jennifer Lee Gek Choo
Member

Mr. Ho Kian Guan
Member

NOMINATING AND REMUNERATION COMMITTEE

Dr. Jennifer Lee Gek Choo
Chairman

Dr. Tan See Leng
Member

Mr. Ho Kian Guan
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
#22-00 Hong Leong Building
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
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Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

SGX CODE

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