



ParkwayLife REIT

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

INTRODUCTION

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

Parkway Life REIT is one of the largest listed healthcare REITs in Asia by asset size. It was established to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. In Singapore, Parkway Life REIT owns the largest portfolio of private hospitals comprising Mount Elizabeth Hospital, Gleneagles Hospital, and Parkway East Hospital (collectively, the “Singapore Hospital Properties”).

In Japan, Parkway Life REIT owns one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture, as well as 44 high quality nursing home and care facility properties located in various prefectures of Japan (collectively, the “Japan Properties”).

As at 31 December 2017, Parkway Life REIT owns a well-diversified portfolio of 49 properties located in the Asia-Pacific region, including three hospitals in Singapore, 45 healthcare and healthcare-related assets in Japan and strata titled units/lots in Gleneagles Intan Medical Centre, Kuala Lumpur, Malaysia. Its total portfolio size stands at approximately S\$1.7 billion as at 31 December 2017.

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

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SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016	Increase/(Decrease)	
	Notes	S\$'000	S\$'000	S\$'000	%
Gross Revenue		109,881	110,123	(242)	(0.2)
Net Property Income		102,649	102,426	223	0.2
Total Distributable Income to Unitholders		80,753	73,306	7,447	10.2
- from operations		78,363	76,306	2,057	2.7
- from distribution of divestment gains	(a)	5,390	-	5,390	n.m. ¹
- amount retained for capital expenditure	(b)	(3,000)	(3,000)	-	-
Distribution per unit (cents)	(c)	13.35	12.12	1.23	10.2
Distribution yield (%), based on - Closing market price of S\$2.99 as at 29 December 2017		4.46	4.05		10.2

Note(s):

- (a) In relation to the divestment of four Japan properties in December 2016 as announced on 22 December 2016. Divestment gains (after tax) of S\$5,390,000 have been fully distributed to Unitholders over four quarters in FY2017.
- (b) An amount of S\$3.0 million is retained for capital expenditure on existing properties each year.
- (c) In computing the Distribution per Unit ("DPU"), the number of units in issue as at the end of each period is used.

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

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

Consolidated Statement of Total Return

	Notes	4Q 2017 S\$'000	4Q 2016 S\$'000	Inc/ (Dec) %	2017 S\$'000	2016 S\$'000	Inc/ (Dec) %
Gross revenue		27,537	27,731	(0.7)	109,881	110,123	(0.2)
Property expenses		(1,791)	(2,172)	(17.5)	(7,232)	(7,697)	(6.0)
Net property income		25,746	25,559	0.7	102,649	102,426	0.2
Management fees	(a)	(2,781)	(2,800)	(0.7)	(11,151)	(11,113)	0.3
Trust expenses	(b)	(1,040)	(697)	49.2	(3,086)	(2,870)	7.5
Net foreign exchange gain		406	240	69.2	1,583	1,234	28.3
Interest income		-	1	(100.0)	-	4	(100.0)
Finance costs	(c)	(1,892)	(2,416)	(21.7)	(7,952)	(9,910)	(19.8)
Non-property expenses		(5,307)	(5,672)	(6.4)	(20,606)	(22,655)	(9.0)
Total return before changes in fair value of financial derivatives and investment properties		20,439	19,887	2.8	82,043	79,771	2.8
Net change in fair value of financial derivatives	(d)	1,261	3,046	(58.6)	1,954	(1,912)	202.2
Net change in fair value of investment properties	(e)	25,970	18,159	43.0	25,970	18,159	43.0
Gain on disposal of investment properties	(f)	-	4,156	(100.0)	-	4,156	(100.0)
Total return for the period before tax and distribution		47,670	45,248	5.4	109,967	100,174	9.8
Income tax expense	(g)	(2,726)	(3,036)	(10.2)	(8,503)	(8,245)	3.1
Total return for the period after tax before distribution		44,944	42,212	6.5	101,464	91,929	10.4

Note(s):

- (a) Management fees comprise the Manager's management fees and asset management fees payable to the asset managers of the Japan Properties.
- (b) Trust expenses comprise mainly Trustee's fees, professional fees and travelling expenses.
- (c) Finance costs largely consist of interest expense on loans, settlement on interest rate swaps that provide fixed rate funding on loans and amortisation of transaction costs of establishing debt facilities.
- (d) The Group entered into foreign currency forward contracts to hedge its net foreign income from Japan. The changes in fair value of the foreign currency forward contracts were recognised in Statement of Total Return.
- (e) Valuations were performed by independent professional valuers for all investment properties as at 31 December 2017. The net change in fair value of investment properties represented a gain of 1.5% in the total portfolio value.
- (f) In relation to gain arising from the disposal of four nursing home properties in Japan completed on 22 December 2016.
- (g) Included in 4Q 2017 income tax expense was the withholding tax of S\$1.1 million and deferred tax expense amounted to S\$1.6 million in respect of the Japan investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

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Comparatively, in 4Q 2016 income tax expense comprised withholding tax of S\$1.2 million on the net rental income derived from existing Japan properties, net withholding tax payable of S\$0.7 million imposed on the disposal gains in relation to the disposal of four nursing home properties in Japan and deferred tax of S\$1.1 million in respect of the existing Japan and Malaysia investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

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Distribution Statement

	Notes	4Q 2017 S\$'000	4Q 2016 S\$'000	Inc/ (Dec) %	2017 S\$'000	2016 S\$'000	Inc/ (Dec) %
Total return after tax before distribution		44,944	42,212	6.5	101,464	91,929	10.4
Non-tax deductible/(non-taxable) items:							
Trustee's fees		77	76	1.3	303	300	1.0
Amortisation of transaction costs relating to debt facilities		273	165	65.5	846	866	(2.3)
Net change in fair value of financial derivatives		(1,261)	(3,046)	(58.6)	(1,954)	1,912	202.2
Net fair value gain on investment properties (net of deferred tax impact)		(24,374)	(17,019)	43.2	(21,967)	(15,497)	41.8
Foreign exchange difference		(293)	19	1,642.1	(1,100)	(186)	491.4
Gain on disposal of investment properties (net of tax)		-	(3,486)	(100.0)	-	(3,486)	(100.0)
Others		488	315	54.9	773	491	57.4
Net effect of non-tax deductible/(non-taxable) items		(25,090)	(22,976)	9.2	(23,099)	(15,600)	48.1
Rollover adjustment	(a)	-	-	n.m.	(2)	(23)	(91.3)
Amount available for distribution to Unitholders		19,854	19,236	3.2	78,363	76,306	2.7
Distribution of divestment gains	(b)	1,348	-	n.m.	5,390	-	n.m.
Amount retained for capital expenditure	(c)	(750)	(750)	-	(3,000)	(3,000)	-
Distributable income to Unitholders	(d)	20,452	18,486	10.6	80,753	73,306	10.2

Note(s):

- (a) The rollover adjustment in 2017 and 2016 represented the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Year of Assessment 2016 and 2015 respectively and had been adjusted under the rollover mechanism agreed with the IRAS.
- (b) This refers to the partial distribution of the gains arising from the divestment of four Japan properties in December 2016 as announced on 22 December 2016. The gain is classified as capital distribution from a tax perspective. The entire divestment gains, after deducting all relevant taxes, of S\$5,390,000 have been fully distributed to Unitholders over four quarters in FY2017.
- (c) An amount of S\$3.0 million is retained for capital expenditure on existing properties each year.
- (d) Parkway Life REIT's distribution policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined at the Manager's discretion.

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

	Notes	Group 31/12/17 S\$'000	Group 31/12/16 S\$'000	Trust 31/12/17 S\$'000	Trust 31/12/16 S\$'000
Current assets					
Trade and other receivables		10,894	10,504	9,866	9,603
Financial derivatives		13	335	13	335
Cash and cash equivalents	(a)	25,720	71,096	4,936	924
		36,627	81,935	14,815	10,862
Non-current assets					
Investment properties	(b)	1,731,063	1,657,209	1,088,200	1,057,200
Interests in subsidiaries		-	-	576,543	560,962
Financial derivatives		3,531	210	3,531	210
Total assets		1,771,221	1,739,354	1,683,089	1,629,234
Current liabilities					
Financial derivatives		163	336	163	336
Trade and other payables		19,451	23,482	13,287	12,914
Current portion of security deposits		940	2,676	-	-
Loans and borrowings		15,900	16,246	15,900	16,246
Provision for taxation		1	-	-	-
		36,455	42,740	29,350	29,496
Non-current liabilities					
Financial derivatives		1,224	8,002	1,224	8,002
Non-current portion of security deposits		18,076	17,704	35	-
Loans and borrowings	(c)	626,382	612,539	626,382	612,539
Deferred tax liabilities		23,744	20,733	-	-
Total liabilities		705,881	701,718	656,991	650,037
Net assets		1,065,340	1,037,636	1,026,098	979,197
Represented by:					
Unitholders' funds		1,065,340	1,037,636	1,026,098	979,197
Total equity		1,065,340	1,037,636	1,026,098	979,197

Note(s):

- (a) The decrease in cash and cash equivalents was mainly due to the redeployment of divestment proceeds to fund the acquisition of five Japan properties and to repay short term loans in 1Q 2017.
- (b) Investment properties were stated at valuation performed by independent valuers as at 31 December 2017. The increase in investment properties was due to the gain on revaluation, acquisition of four nursing homes and a group home on 24 February 2017, capital expenditure on existing portfolio offset by the depreciation of the Japanese Yen. A revaluation surplus of S\$26.0 million was recognised in the Statement of Total Return.
- (c) The increase in long term borrowings was mainly due to additional funding required for the properties acquisition on 24 February 2017 offset by the depreciation of the Japanese Yen.

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1(b)(ii) Aggregate amount of borrowings

	Group 31/12/17 S\$'000	Group 31/12/16 S\$'000	Trust 31/12/17 S\$'000	Trust 31/12/16 S\$'000
Unsecured gross borrowings				
Amount repayable within one year	15,900	16,246	15,900	16,246
Amount repayable after one year	627,968	614,921	627,968	614,921
Less: Transaction costs in relation to the term loan and revolving credit facilities	(1,586)	(2,382)	(1,586)	(2,382)
	642,282	628,785	642,282	628,785

On 30 October 2017, Parkway Life REIT has successfully updated the S\$500 million Multicurrency Medium Term Note Programme and renamed as the “S\$500 million Multicurrency Debt Issuance Programme” (the “Debt Issuance Programme”)².

As at 31 December 2017, Parkway Life REIT has a Baa2 issuer rating, as well as a provisional (P)Baa2 senior unsecured rating to the Debt Issuance Programme by Moody’s, with Stable Outlook.

Parkway Life REIT’s gearing was 36.4% as at 31 December 2017, within the 45% limit allowed under the Monetary Authority of Singapore’s Property Funds Appendix.

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

Unsecured Borrowings

On 22 December 2017, the Group had refinanced and termed out the existing JPY5,000 million (approximately S\$59.4 million³) loan facilities due in 2019 using the entire proceeds from the 5.5-year JPY fixed rate notes issuance. Details of the notes issuance is covered under “Unsecured Debt Issuance” section below.

As at 31 December 2017, post refinancing exercise, the total remaining facilities drawn of JPY29,845 million (approximately S\$354.3 million³) and S\$175.2 million credit facilities (the “**Long Term Facilities**”) were committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT.

Interest on the above Long Term Facilities is based on floating rate plus a margin.

In addition, Parkway Life REIT has two unsecured and uncommitted short term multi-currency facilities of S\$75 million each (the “**Short Term Facilities**”) for the Group’s general working capital purposes. As at 31 December 2017, the Group has drawn down S\$15.9 million for one month via the Short Term Facilities, at the bank’s cost of fund.

Unsecured Debt Issuance

Parkway Life REIT, through its wholly-owned subsidiary, Parkway Life MTN Pte Ltd (the “MTN Issuer”), has recently updated its S\$500 million Multicurrency Medium Term Note Programme to S\$500 million Multicurrency Debt Issuance Programme, to provide Parkway Life REIT with the flexibility to tap the capital market including the issue of perpetual securities when needed.

Under the Debt Issuance Programme, the MTN Issuer may issue notes while HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Parkway Life REIT) (the “Parkway Life REIT Trustee”) may issue perpetual securities. The relevant issuers may, subject to the compliance with all relevant laws, regulations and directives, from time to time issue notes or, as the case may

² Further information can be found in the information memorandum dated 30 October 2017 made available on SGX website.

³ Based on exchange rate of S\$1.187 per JPY100 as at 31 December 2017.

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be, perpetual securities in series or tranches denominated in Singapore dollars and/or any other currencies, in various amounts and tenors.

The notes and the senior perpetual securities shall constitute direct, unconditional, unsecured and unsubordinated obligations of the respective issuer ranking *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the respective issuer. All sums payable in respect of the notes are unconditionally and irrevocably guaranteed by Parkway Life REIT Trustee whereas the perpetual securities issued by the Parkway Life REIT Trustee are unguaranteed.

On 6 December 2017, the MTN Issuer issued a JPY5,000 million (approximately S\$59.4 million³) 5.5-year senior unsecured fixed rate notes bearing a fixed interest rate of 0.57% per annum payable semi-annually in arrear, which will mature on 6 June 2023 (the "Series 003 Notes Issuance"). The MTN Issuer has on-lent the proceeds from the Series 003 Notes Issuance to Parkway Life REIT Trustee, who in turn used the proceeds to repay a portion of the REIT's existing loan facilities due in 2019.

As at 31 December 2017, there were two series of outstanding fixed rate notes issued under the Debt Issuance Programme amounted to JPY8,300 million (approximately S\$98.5 million³).

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

For the financing facilities put in place for the acquisitions of investment properties in Japan, the Group has entered into various interest rate swaps and fixed rate cross currency swap to hedge the floating rate loans.

The appropriate hedge accounting treatment is applied to the interest rate swaps and fixed rate cross currency swap whereby the effective portion of changes in the fair value are recognised directly in Unitholders' funds. To the extent that the hedge is ineffective, such differences are recognised in the Statement of Total Return.

The Group has also entered into foreign currency forward contracts to hedge the net foreign income from Japan. In 3Q 2017, the Group has further extended the Japanese Yen forward contracts till 1Q 2022. This enhances the stability of distribution to Unitholders.

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

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

	Notes	4Q 2017 S\$'000	4Q 2016 S\$'000	2017 S\$'000	2016 S\$'000
Operating activities					
Total return before tax and distribution		47,670	45,248	109,967	100,174
Adjustments for					
Unrealised foreign exchange difference		-	(2)	-	(2)
Interest income		-	(1)	-	(4)
Finance costs		1,892	2,416	7,952	9,910
Net change in fair value of financial derivatives		(1,261)	(3,046)	(1,954)	1,912
Net change in fair value of investment properties		(25,970)	(18,159)	(25,970)	(18,159)
Gain on disposal of investment properties		-	(4,156)	-	(4,156)
Operating income before working capital changes		22,331	22,300	89,995	89,675
Changes in working capital					
Trade and other receivables		124	402	(447)	(41)
Trade and other payables		1,227	319	(1,876)	2,701
Security deposits		4	(819)	1,109	11
Cash generated from operations		23,686	22,202	88,781	92,346
Income tax paid		(1,159)	(1,273)	(8,035)	(4,829)
Cash flows generated from operating activities	(a)	22,527	20,929	80,746	87,517
Investing activities					
Interest received		-	1	-	4
Capital expenditure on investment properties		(2,840)	(2,498)	(5,261)	(6,060)
Cash outflow on purchase of investment properties (including acquisition related costs)	(b)	(181)	-	(65,189)	(14,995)
Net proceeds from sale of investment properties		-	48,704	-	48,704
Divestment related costs paid		-	(299)	(720)	(299)
Cash flows (used in)/generated from investing activities	(c)	(3,021)	45,908	(71,170)	27,354
Financing activities					
Interest paid		(1,710)	(2,250)	(7,256)	(9,035)
Distribution to Unitholders		(20,389)	(18,513)	(78,832)	(75,202)
Proceeds from Notes Issuance		59,300	-	59,300	39,699
Proceeds from borrowings		19,640	34,046	210,971	152,690
Repayment of borrowings		(81,753)	(40,766)	(237,009)	(173,054)
Borrowing costs paid		(25)	(542)	(50)	(1,038)
Cash flows used in financing activities	(d)	(24,937)	(28,025)	(52,876)	(65,940)
Net (decrease)/increase in cash and cash equivalents		(5,431)	38,812	(43,300)	48,931
Cash and cash equivalents at beginning of the period/year		30,525	31,772	69,184	18,543
Effects of exchange differences on cash balances		368	(1,400)	(422)	1,710
Cash and cash equivalents at end of the period/year⁴		25,462	69,184	25,462	69,184

⁴ Cash and cash equivalents at the respective period end exclude a cash deposit of JPY21.7 million (approximately S\$0.26 million and JPY154.4 million (approximately S\$1.9 million) as at 31 December 2017 and 31 December 2016 respectively placed with the Group by a vendor, for the purpose of Rental Income Guarantee.

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Note(s):

- (a) The higher cash flows from operating activities in 4Q 2017 was mainly due to additional operating cash flows generated from existing properties and from the completion of the asset recycling initiative in February 2017 which had resulted in a larger asset portfolio acquired with higher yield offset by depreciation of the Japanese Yen.

For the full year, the cash flows from operating activities was lower mainly due to payment of Manager's performance fee for FY2016 and Japanese withholding tax on the divestment gains, offset by the receipt of security deposits for the new properties acquired in 1Q 2017. For information, with effect from 1 January 2016, the performance fee in respect of every calendar year shall be paid in arrears, not more frequent than once a year. As a result, the full year performance fee due to the Manager for 2016 was settled in early 2017.

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

	4Q 2017	4Q 2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Investment properties	-	-	59,440	13,944
Acquisition related costs	181	-	5,749	1,051
Net cash outflow/Cash consideration paid	181	-	65,189	14,995

- (c) The cash outflow in investing activities in 4Q 2017 is mainly due to payment of capital expenditure on existing properties.
- (d) The cash outflow in financing activities in 4Q 2017 mainly due to payment of 3Q 2017 distribution to Unitholders and repayment of Japanese Yen long term loans, offset by the proceeds received from the Series 003 Notes Issuance.

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

	Notes	Group 4Q 2017 S\$'000	Group 4Q 2016 S\$'000	Group 2017 S\$'000	Group 2016 S\$'000
Unitholders' funds at beginning of period/year		1,038,552	1,009,525	1,037,636	1,023,187
Operations					
Total return after tax		44,944	42,212	101,464	91,929
Translation transactions					
Net movement in foreign currency translation reserve	(a)	1,673	837	4,060	(77)
Hedging reserve					
Net movement in hedging reserve	(b)	560	3,575	1,012	(2,201)
Unitholders' transactions					
Distribution to Unitholders		(20,389)	(18,513)	(78,832)	(75,202)
Unitholders' funds at end of period/year		1,065,340	1,037,636	1,065,340	1,037,636

	Notes	Trust 4Q 2017 S\$'000	Trust 4Q 2016 S\$'000	Trust 2017 S\$'000	Trust 2016 S\$'000
Unitholders' funds at beginning of period/year		992,028	913,697	979,197	1,007,940
Operations					
Total return after tax		53,899	80,438	124,721	48,660
Hedging reserve					
Net movement in hedging reserve	(b)	560	3,575	1,012	(2,201)
Unitholders' transactions					
Distribution to Unitholders		(20,389)	(18,513)	(78,832)	(75,202)
Unitholders' funds at end of period/year		1,026,098	979,197	1,026,098	979,197

Note(s):

- (a) Foreign currency translation reserve encompass the exchange differences arising from the translation of the financial statements of the foreign operations, as well as the effective portion of any currency differences arising from hedges of net investments in foreign operations.
- (b) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments used to hedge against cash flow variability arising from interest payments on floating rate loans.

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

	4Q 2017 '000	4Q 2016 '000	2017 '000	2016 '000
Units in issue at beginning and at end of period/year	605,002	605,002	605,002	605,002

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

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

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

Not Applicable.

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

The accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements for the year ended 31 December 2016.

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

Not Applicable.

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

	Notes	4Q 2017 '000	4Q 2016 '000	2017 '000	2016 '000
Number of units in issue at end of period/year		605,002	605,002	605,002	605,002
Weighted average number of units for the period		605,002	605,002	605,002	605,002
Earnings per unit in cents (basic and diluted) (EPU)	(a)	7.43	6.98	16.77	15.19
Applicable number of units for calculation of DPU		605,002	605,002	605,002	605,002
Distribution per unit in cents (DPU)	(b)	3.38	3.06	13.35	12.12

Note(s):

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

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

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

	Notes	Group 31/12/17 S\$	Group 31/12/16 S\$	Trust 31/12/17 S\$	Trust 31/12/16 S\$
Net asset value (“NAV”) per unit	(a)	1.76	1.72	1.70	1.62
Adjusted NAV per unit (excluding distributable income)		1.73	1.68	1.66	1.59
Net tangible asset per unit	(a)	1.76	1.72	1.70	1.62

Note(s):

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

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8 Review of the performance

	4Q 2017 S\$'000	4Q 2016 S\$'000	Inc/ (Dec) %	2017 S\$'000	2016 S\$'000	Inc/ (Dec) %
Gross revenue	27,537	27,731	(0.7)	109,881	110,123	(0.2)
Property expenses	(1,791)	(2,172)	(17.5)	(7,232)	(7,697)	(6.0)
Net property income	25,746	25,559	0.7	102,649	102,426	0.2
Management fees	(2,781)	(2,800)	(0.7)	(11,151)	(11,113)	0.3
Trust expenses	(1,040)	(697)	49.2	(3,086)	(2,870)	7.5
Net foreign exchange gain	406	240	69.2	1,583	1,234	28.3
Interest income	-	1	(100.0)	-	4	(100.0)
Finance costs	(1,892)	(2,416)	(21.7)	(7,952)	(9,910)	(19.8)
Non-property expenses	(5,307)	(5,672)	(6.4)	(20,606)	(22,655)	(9.0)
Total return before changes in fair value of financial derivatives and investment properties	20,439	19,887	2.8	82,043	79,771	2.8
Net change in fair value of financial derivatives	1,261	3,046	(58.6)	1,954	(1,912)	202.2
Net change in fair value of investment properties	25,970	18,159	43.0	25,970	18,159	43.0
Gain on disposal of investment properties	-	4,156	(100.0)	-	4,156	(100.0)
Total return for the period before tax and distribution	47,670	45,248	5.4	109,967	100,174	9.8
Income tax expense	(2,726)	(3,036)	(10.2)	(8,503)	(8,245)	3.1
Total return for the period after tax before distribution	44,944	42,212	6.5	101,464	91,929	10.4
Net effect of non-tax deductible/(non-taxable) items	(25,090)	(22,976)	9.2	(23,099)	(15,600)	48.1
Rollover adjustment	-	-	n.m.	(2)	(23)	(91.3)
Amount available for distribution to Unitholders	19,854	19,236	3.2	78,363	76,306	2.7
Distribution of divestment gains	1,348	-	n.m.	5,390	-	n.m.
Amount retained for capital expenditure	(750)	(750)	-	(3,000)	(3,000)	-
Distributable income to Unitholders	20,452	18,486	10.6	80,753	73,306	10.2
Distribution per Unit (cents)	3.38	3.06	10.6	13.35	12.12	10.2
Annualised Distribution per Unit (cents)	13.52	12.24	10.6	13.35	12.12	10.2

4Q 2017 Vs 4Q 2016

Gross revenue for 4Q 2017 was lower than 4Q 2016 by S\$0.2 million largely due to depreciation of the Japanese Yen as compared to the same period last year offset by higher rents received from the Singapore properties and contributions from the asset recycling.

Property expenses were lower in 4Q 2017 due to absence of one-off marketing commission paid to the Manager. After deducting property expenses, we have achieved a net property income of S\$25.7 million for 4Q 2017, which was S\$0.2 million higher than 4Q 2016.

The decrease in management fees were mainly due to the depreciation of Japanese Yen as compared to the same period last year despite an increase in deposited property contributed by higher deposited property value and higher net property income from the properties acquired in February 2017, as well as valuation gains on the existing property portfolio.

Higher professional fees primarily resulted in an increase in trust expenses for 4Q 2017.

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In 4Q 2017, the Group has recognised a lower realised foreign exchange gain of S\$0.2 million from the delivery of quarterly Japanese Yen forward contracts due to progressive expiry of earlier income hedges locked in at higher contract rates.

Despite the growth of portfolio, finance costs have decreased mainly due to the finance cost savings arising from the refinancing initiatives completed in 2016 and in 1Q 2017 and depreciation of the Japanese Yen. There was no significant saving impact from the recent loan refinancing exercise as it was completed in late December 2017.

Overall, distribution per unit (DPU) of 3.38 cents for 4Q 2017 has outperformed 4Q 2016 by 10.6%, mainly due to partial distribution of the gains arising from the divestment of four Japan properties in December 2016 of S\$1.3 million. Excluding the one-off gain, DPU from recurring operations (net of amount retained for capital expenditure) for 4Q 2017 has grown by 2.8% year-on-year.

2017 Vs 2016

Gross revenue for 2017 was S\$109.9 million compared with S\$110.1 million for 2016, a decrease of S\$0.2 million or 0.2%. This was mainly due to depreciation of the Japanese Yen offset by revenue contribution from the Japan property acquisition in March 2016, higher yielding properties acquired from the asset recycling initiative completed in February 2017 and higher rent from the existing properties.

Property expenses for 2017 were S\$7.2 million, which was S\$0.5 million lower than 2016 due to absence of one-off marketing commission paid to the Manager. The result was a net property income of S\$102.6 for 2017, which was S\$0.2 million higher than 2016.

Finance costs have decreased mainly due to finance cost savings arising from the refinancing initiatives took place in 2016 and 2017, and depreciation of the Japanese Yen as compared to the same period last year. The lower finance costs have offset the additional financing costs incurred to finance the properties acquired in 1Q 2016 and 1Q 2017. Increase in trust expenses for 2017 due to higher professional fees incurred during the year.

During the year, the Group had registered a realised foreign exchange gain amounting to S\$0.6 million from the delivery of Japan net income hedges. The Group has also recognised a realised foreign exchange gain of S\$0.9 million arising from the capital repatriation for the cash trap in Japan, which unlocked the foreign exchange gain in the foreign currency translation reserve for its earlier Japan acquisitions.

Overall, DPU for 2017 of 13.35 cents has outperformed by 10.2% or 1.23 cents as compared with 2016's DPU of 12.12 cents, mainly due to one-off distribution of the gains arising from the divestment of four Japan properties in December 2016 of S\$5.39 million.

9 Review of the performance against Forecast/Prospect Statement

Not Applicable.

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

The long-term outlook of the industry continues to be driven by favourable patient demographics and demand for better quality healthcare and aged care services.

Parkway Life REIT's enlarged portfolio of 49 high-quality healthcare and healthcare-related assets places it in a good position to benefit from the resilient growth of the healthcare industry in the Asia Pacific region.

In addition, Parkway Life REIT is supported by favourable rental lease structures, where at least 95% of its Singapore and Japan portfolios have downside revenue protection and 62% of the total portfolio is pegged to CPI-linked revision formulae, ensuring steady future rental growth whilst protecting revenue stability amid uncertain market conditions.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: Fourth quarter distribution for the period from 1 October 2017 to 31 December 2017

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.30
Exempt Income	0.36
Capital Distribution	0.49
Other Gains Distribution	0.23
Total	3.38

Par value of units: Not meaningful

Tax rate: Taxable Income Distribution

Qualifying Unitholders and individuals (other than those who hold their units through a partnership in Singapore or from the carrying on of a trade, business or profession) will generally receive pre-tax distributions. Individuals who derive any distribution through a partnership in Singapore or from the carrying on of a trade, business or profession will be taxed at the individual's tax rates.

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

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

Exempt Income Distribution

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

Capital Distribution

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

Other Gains Distribution

Other gains distribution refers to partial distribution from the gain on divestment of four Japan properties as announced on 22 December 2016. It is not taxable in the hands of all Unitholders.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period: Yes

Name of distribution: Fourth quarter distribution for the period from 1 October 2016 to 31 December 2016

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.23
Exempt Income	0.37
Capital Distribution	0.46
Total	3.06

Par value of units: Not meaningful

Tax Rate: Taxable Income Distribution

Qualifying Unitholders and individuals (other than those who hold their units through a partnership in Singapore or from the carrying on of a trade, business or profession) will generally receive pre-tax distributions. Individuals who derive any distribution through a partnership in Singapore or from the carrying on of a trade, business or profession will be taxed at the individual's tax rates.

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- (c) **Book closure date:** 5 February 2018
(d) **Date payable:** 27 February 2018

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

Not Applicable.

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

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

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

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

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PART II – ADDITIONAL INFORMATION FOR FULL YEAR ANNOUNCEMENT

15 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.

As at 31 December 2017, the operating segments of the Group comprise the following segments – Hospital Properties, Nursing Homes, Pharmaceutical Product Distributing and Manufacturing Facility and Medical Centre Units.

The Group’s operations and its identifiable assets are located in Singapore (consisting of Hospital Properties), Japan (consisting of 44 Nursing Homes and one Pharmaceutical Product Distributing and Manufacturing Facility) and Medical Centre Units in Malaysia. Accordingly, no geographical segmental analysis is separately presented.

	FY 2017 S\$’000	FY 2016 S\$’000	Change %
Hospital Properties (Singapore) ¹	66,365	65,495	1.3
Nursing Homes (Japan) ²	41,373	41,872	(1.2)
Pharmaceutical Product Distributing and Manufacturing Facility (Japan) ³	1,641	2,252	(27.1)
Medical Centre Units (Malaysia)	502	504	(0.4)
Total gross revenue	109,881	110,123	(0.2)

	FY 2017 S\$’000	FY 2016 S\$’000	Change %
Hospital Properties (Singapore) ¹	63,247	62,377	1.4
Nursing Homes (Japan) ²	37,497	37,805	(0.8)
Pharmaceutical Product Distributing and Manufacturing Facility (Japan) ³	1,537	1,869	(17.8)
Medical Centre Units (Malaysia)	368	375	(1.9)
Total net property income	102,649	102,426	0.2

Footnotes

- (1) Higher revenue and net property income was driven by the higher rent under the inflation-linked CPI + 1% rental review mechanism. In addition, Parkway East Hospital’s adjusted hospital revenue for the 10th year lease (23 August 2016 – 22 August 2017) has outperformed its minimum guarantee rent, contributing to the increase in revenue from Singapore.
- (2) Decrease in revenue and net property income was mainly due to the depreciation of the Japanese Yen offset by full year revenue contribution of the properties acquired in 2016 and additional contribution from the asset recycling completed in February 2017.
- (3) Decrease in revenue was mainly due to the lower rental income from the lease renewal concluded in December 2016 and depreciation of the Japanese Yen. In 2016, there was a one-off marketing commission paid to the Manager for the renewal of lease which had expired in December 2016, resulting in a lower net property income.

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16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

Refer to section 8 for the review of actual performance.

17 Breakdown of gross revenue and total return after tax before distribution

	FY 2017 S\$'000	FY 2016 S\$'000	Change %
Gross revenue reported for first half year	54,644	54,286	0.7
Total return after tax before distribution for first half year	37,298	31,799	17.3
Gross revenue reported for second half year	55,237	55,837	(1.1)
Total return after tax before distribution for second half year	64,166	60,130	6.7

18 Breakdown of the total distribution

In respect of the period:

	FY 2017 S\$'000	FY 2016 S\$'000
1 October 2015 to 31 December 2015		20,389
1 January 2016 to 31 March 2016		18,089
1 April 2016 to 30 June 2016		18,211
1 July 2016 to 30 September 2016		18,513
1 October 2016 to 31 December 2016	18,513	
1 January 2017 to 31 March 2017	19,844	
1 April 2017 to 30 June 2017	20,086	
1 July 2017 to 30 September 2017	20,389	

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Neither Parkway Trust Management Limited nor Parkway Life REIT and any of its principal subsidiaries have any person occupying a managerial position who is related to a director or chief executive officer or substantial shareholder.

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

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

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

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

Chan Wan Mei
Company Secretary
26 January 2018

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

Important Notice

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

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