



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 2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

INTRODUCTION

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

Parkway Life REIT is one of the largest listed healthcare REITs in Asia by asset size. It was established to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. 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 45 high quality nursing home and care facility properties located in various prefectures of Japan (collectively, the “Japan Properties”).

As at 31 March 2018, Parkway Life REIT owns a well-diversified portfolio of 50 properties located in the Asia-Pacific region, including three hospitals in Singapore, 46 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\$1.8 billion as at 31 March 2018.

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.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE QUARTER ENDED 31 MARCH 2018

		1Q 2018	1Q 2017	Increase/(Decrease)	
	Notes	S\$'000	S\$'000	S\$'000	%
Gross Revenue		27,815	26,947	868	3.2
Net Property Income		25,961	25,141	820	3.3
Total Distributable Income to Unitholders		19,167	19,840	(673)	(3.4)
- from recurring operations	(a)	19,167	18,493	674	3.6
- from distribution of divestment gain	(b)	-	1,347	(1,347)	n.m. ¹
Distribution per unit (cents)	(c)	3.17	3.28	(0.11)	(3.4)
Annualised distribution per unit (cents)		12.68	13.12	(0.44)	(3.4)
Distribution yield (%), based on - Closing market price of S\$2.80 as at 29 March 2018		4.53	4.69		(3.4)

Note(s):

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

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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	1Q 2018 S\$'000	1Q 2017 S\$'000	Inc/ (Dec) %
Gross revenue		27,815	26,947	3.2
Property expenses		(1,854)	(1,806)	2.7
Net property income		25,961	25,141	3.3
Management fees	(a)	(2,798)	(2,752)	1.7
Trust expenses	(b)	(742)	(441)	68.3
Net foreign exchange gain		503	1,041	(51.7)
Finance costs	(c)	(1,733)	(2,298)	(24.6)
Non-property expenses		(4,770)	(4,450)	7.2
Total return before changes in fair value of financial derivatives		21,191	20,691	2.4
Net change in fair value of financial derivatives	(d)	(2,539)	(311)	716.4
Total return for the period before tax and distribution		18,652	20,380	(8.5)
Income tax expense	(e)	(1,742)	(2,171)	(19.8)
Total return for the period after tax before distribution		16,910	18,209	(7.1)

Note(s):

- (a) Management fees comprise Manager's management fees and asset management fees payable to the asset managers of the Japan Properties.
- (b) Trust expenses comprise mainly of Trustee's fees, professional fees and travelling expenses.
- (c) Finance costs largely 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) Included in 1Q 2018 income tax expense is the withholding tax of S\$1.1 million (1Q 2017: S\$1.0 million) and deferred tax of S\$0.6 million (1Q 2017: S\$1.1 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.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

Distribution Statement

	Notes	1Q 2018 S\$'000	1Q 2017 S\$'000	Inc/ (Dec) %
Total return after tax before distribution		16,910	18,209	(7.1)
Non-tax deductible/(non-taxable) items:				
Trustee's fees		76	75	1.3
Amortisation of transaction costs relating to debt facilities		163	275	(40.7)
Net change in fair value of financial derivatives		2,539	311	716.4
Foreign exchange difference		(440)	(715)	(38.5)
Temporary differences	(a)	632	1,146	(44.9)
Others		37	(58)	163.8
Net effect of non-tax deductible/(non-taxable) items		3,007	1,034	190.8
Amount available for distribution to Unitholders		19,917	19,243	3.5
Distribution of divestment gains	(b)	-	1,347	n.m.
Amount retained for capital expenditure	(c)	(750)	(750)	-
Distributable income to Unitholders	(d)	19,167	19,840	(3.4)

Note(s):

- (a) This relates to deferred tax expense provided on the temporary differences between the fair value and the tax written down value at the applicable income tax rate in respect of the Japan investment properties.
- (b) 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 gain, after deducting all relevant taxes, of S\$5,390,000 has 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.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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

	Notes	Group 31/03/18 S\$'000	Group 31/12/17 S\$'000	Trust 31/03/18 S\$'000	Trust 31/12/17 S\$'000
Current assets					
Trade and other receivables		10,806	10,894	9,876	9,866
Financial derivatives		5	13	5	13
Cash and cash equivalents	(a)	26,755	25,720	791	4,936
		37,566	36,627	10,672	14,815
Non-current assets					
Investment properties	(b)	1,775,730	1,731,063	1,089,467	1,088,200
Interests in subsidiaries		-	-	597,232	576,543
Financial derivatives		234	3,531	234	3,531
Total assets		1,813,530	1,771,221	1,697,605	1,683,089
Current liabilities					
Financial derivatives		66	163	66	163
Trade and other payables		16,615	19,451	9,710	13,287
Current portion of security deposits		978	940	8	-
Loans and borrowings	(c)	26,637	15,900	26,637	15,900
Provision for taxation		1	1	-	-
		44,297	36,455	36,421	29,350
Non-current liabilities					
Financial derivatives		4,679	1,224	4,679	1,224
Non-current portion of security deposits		19,405	18,076	35	35
Loans and borrowings	(d)	660,316	626,382	660,316	626,382
Deferred tax liabilities		25,364	23,744	-	-
Total liabilities		754,061	705,881	701,451	656,991
Net assets		1,059,469	1,065,340	996,154	1,026,098
Represented by:					
Unitholders' funds		1,059,469	1,065,340	996,154	1,026,098
Total equity		1,059,469	1,065,340	996,154	1,026,098

Note(s):

- (a) The increase in cash and cash equivalents was mainly due to the appreciation of the Japanese Yen. At the Trust level, cash was re-deployed to partial finance a property acquisition in February 2018 which resulted in the decrease in cash and cash equivalents as compared to 31 December 2017.
- (b) The increase in investment properties was mainly due to the acquisition of an elderly nursing rehabilitation facility in Japan on 14 February 2018, capital expenditure of existing assets and appreciation of the Japanese Yen as compared to 31 December 2017.
- (c) The increase in current term borrowings was mainly due to the drawdown of short term loan facility for working capital purposes.
- (d) The increase in long term borrowings was mainly due to additional funding required for the property acquisition on 14 February 2018 and appreciation of the Japanese Yen.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

1(b)(ii) Aggregate amount of borrowings

	Group 31/03/18 S\$'000	Group 31/12/17 S\$'000	Trust 31/03/18 S\$'000	Trust 31/12/17 S\$'000
Unsecured gross borrowings				
Amount repayable within one year	26,637	15,900	26,637	15,900
Amount repayable after one year	662,147	627,968	662,147	627,968
Less: Transaction costs in relation to the term loan and revolving credit facilities	(1,831)	(1,586)	(1,831)	(1,586)
	686,953	642,282	686,953	642,282

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

Parkway Life REIT's gearing was 38.0% as at 31 March 2018, within the 45% limit allowed under the Monetary Authority of Singapore's Property Funds Appendix.

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

Unsecured Borrowings

On 26 February 2018, the Group has partially refinanced and termed out an existing loan facility due in 2019 using the proceeds from the JPY3,500 million (approximately S\$43.3 million²) 6-year JPY fixed rate notes issue. Details of the notes issue is covered under "Unsecured Debt Issuance" section below.

On 26 March 2018, the Group has entered into a JPY4,400 million (approximately S\$54.4 million²) 6-year committed and unsecured term loan facility ("**6-year TLF**").

On 29 March 2018, the Group has drawn down JPY4,298 million (approximately 53.1 million²) from the 6-year TLF to further refinance and term out the remaining JPY loan facility due in 2019 as well as to repay a portion of short term facility drawdown in JPY.

As at 31 March 2018, the total credit facilities drawn of JPY27,598 million (approximately S\$341.1 million²) and S\$175.2 million (the "**Long Term Facilities**") were committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT.

Interest on the Long Term Facilities is subject to re-pricing on a monthly or quarterly basis or any other interest period as mutually agreed between the lenders and the Group, and is based on the relevant floating rate plus a margin.

In addition, Parkway Life REIT has two unsecured and uncommitted short term multi-currency facilities of up to S\$75 million each (the "**Short Term Facilities**") for general working capital purposes. As at 31 March 2018, the Group has drawn down S\$23.3 million and JPY270 million (approximately S\$3.3 million²) over one month to 3 months period via the Short Term Facilities, at the bank's cost of fund.

² Based on exchange rate of S\$1.236 per JPY100 as at 31 March 2018.

Unsecured Debt Issuance

Parkway Life REIT, through its wholly-owned subsidiary, Parkway Life MTN Pte Ltd (the “MTN Issuer”), has updated its S\$500 million Multicurrency Medium Term Note Programme to S\$500 million Multicurrency Debt Issuance Programme on 30 October 2017, to provide Parkway Life REIT with the flexibility to tap various types of capital market products including issuance of perpetual securities when needed.

Under the Debt Issuance Programme, the MTN Issuer is able to issue notes while HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Parkway Life REIT) (the “Parkway Life REIT Trustee”) is able to issue perpetual securities.

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 issued by the MTN Issuer are unconditionally and irrevocably guaranteed by Parkway Life REIT Trustee. The liability of the trustee shall be limited to the assets of Parkway Life REIT over which the trustee has recourse.

On 26 February 2018, the MTN Issuer issued JPY3,500 million (approximately S\$43.3 million³) 6-year senior unsecured fixed rate notes bearing a fixed interest rate of 0.65% per annum payable semi-annually in arrear, which will mature on 26 February 2024 (the “Series 004 Notes Issue”). The MTN Issuer has on-lent the proceeds from the Series 004 Notes Issue to Parkway Life REIT Trustee, who in turn used the proceeds to repay a portion of the REIT’s JPY loan facility due in 2019.

As at 31 March 2018, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme amounted to JPY11,800 million (approximately S\$145.9 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. As at 31 March 2018, the Group has in place 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.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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	1Q 2018 S\$'000	1Q 2017 S\$'000
Operating activities			
Total return before tax and distribution		18,652	20,380
Adjustments for			
Unrealised foreign exchange difference		-	1
Finance costs		1,733	2,298
Net change in fair value of financial derivatives		2,539	311
Operating income before working capital changes		22,924	22,990
Changes in working capital			
Trade and other receivables		142	178
Trade and other payables		(3,455)	(4,645)
Security deposits		575	1,085
Cash generated from operations		20,186	19,608
Income tax paid		(1,147)	(4,676)
Cash flows generated from operating activities	(a)	19,039	14,932
Investing activities			
Capital expenditure on investment properties		(1,595)	(253)
Cash outflow on purchase of investment properties (including acquisition related costs)	(b)	(20,768)	(64,645)
Divestment related costs paid		-	(720)
Cash flows used in investing activities	(c)	(22,363)	(65,618)
Financing activities			
Interest paid		(1,520)	(2,176)
Distribution to Unitholders		(20,449)	(18,513)
Proceeds from notes issuance		43,190	-
Proceeds from borrowings		95,922	151,219
Repayment of borrowings		(112,998)	(122,904)
Borrowing costs paid		(408)	(24)
Cash flows generated from financing activities	(d)	3,737	7,602
Net increase/(decrease) in cash and cash equivalents		413	(43,084)
Cash and cash equivalents at beginning of the period		25,462	69,184
Effects of exchange differences on cash balances		611	38
Cash and cash equivalents at end of the period³		26,486	26,138

³ Cash and cash equivalents at the respective period end exclude a cash deposit of JPY21.7 million (approximately S\$0.27 million and JPY 154.4 million (approximately S\$1.9 million) as at 31 March 2018 and 31 March 2017 respectively) placed with the Group by a vendor, for the purpose of Rental Income Guarantee.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

Note(s):

- (a) The higher cash flows from operating activities in 1Q 2018 was mainly due to absence of one-off payment of Japanese withholding tax on the divestment gains in 2018.
- (b) Net cash outflow on purchase of investment properties (including acquisition related costs) is as follows:

	1Q 2018	1Q 2017
	S\$'000	S\$'000
Investment properties	18,450	59,440
Acquisition related costs	2,318	5,205
Net cash outflow/Cash consideration paid	20,768	64,645

- (c) The cash flows in investing activities in 1Q 2018 was mainly due to acquisition of a Japanese nursing rehabilitation facility on 14 February 2018.
- (d) The cash flows in financing activities in 1Q 2018 comprised the drawdown of long term loan to finance the acquisition in 1Q 2018 partially offset by the payment of 4Q 2017 distribution to Unitholders.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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

	Notes	Group 1Q 2018 S\$'000	Group 1Q 2017 S\$'000
Unitholders' funds at beginning of period		1,065,340	1,037,636
Operations			
Total return after tax		16,910	18,209
Translation transactions			
Net movement in foreign currency translation reserve	(a)	(3,677)	576
Hedging reserve			
Net movement in hedging reserve	(b)	1,345	148
Unitholders' transactions			
Distribution to Unitholders		(20,449)	(18,513)
Unitholders' funds at end of period		1,059,469	1,038,056

	Notes	Trust 1Q 2018 S\$'000	Trust 1Q 2017 S\$'000
Unitholders' funds at beginning of period		1,026,098	979,197
Operations			
Total return after tax		(10,840)	19,345
Hedging reserve			
Net movement in hedging reserve	(b)	1,345	148
Unitholders' transactions			
Distribution to Unitholders		(20,449)	(18,513)
Unitholders' funds at end of period		996,154	980,177

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.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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

	1Q 2018 '000	1Q 2017 '000
Units in issue at beginning and at end of period	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.

Except as disclosed in paragraph 5 below, 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 2017.

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.

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2018. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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

	Notes	1Q 2018 '000	1Q 2017 '000
Number of units in issue at end of period		605,002	605,002
Weighted average number of units for the period		605,002	605,002
Earnings per unit in cents (basic and diluted) (EPU)	(a)	2.80	3.01
Applicable number of units for calculation of DPU		605,002	605,002
Distribution per unit in cents (DPU)	(b)	3.17	3.28

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 31/03/18 S\$	Group 31/12/17 S\$	Trust 31/03/18 S\$	Trust 31/12/17 S\$
Net asset value (“NAV”) per unit	(a)	1.75	1.76	1.65	1.70
Adjusted NAV per unit (excluding the distributable income)		1.72	1.73	1.61	1.66
Net tangible asset per unit	(a)	1.75	1.76	1.65	1.70

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.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

8 Review of the performance

	1Q 2018 S\$'000	1Q 2017 S\$'000	Inc/ (Dec) %
Gross revenue	27,815	26,947	3.2
Property expenses	(1,854)	(1,806)	2.7
Net property income	25,961	25,141	3.3
Management fees	(2,798)	(2,752)	1.7
Trust expenses	(742)	(441)	68.3
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Non-property expenses	(4,770)	(4,450)	7.2
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Net change in fair value of financial derivatives	(2,539)	(311)	716.4
Total return for the period before tax and distribution	18,652	20,380	(8.5)
Income tax expense	(1,742)	(2,171)	(19.8)
Total return for the period after tax before distribution	16,910	18,209	(7.1)
Net effect of non-tax deductible/(non-taxable) items	3,007	1,034	190.8
Amount available for distribution to Unitholders	19,917	19,243	3.5
Distribution of divestment gains	-	1,347	n.m.
Amount retained for capital expenditure	(750)	(750)	-
Distributable income to Unitholders	19,167	19,840	(3.4)
Distribution per Unit (cents)	3.17	3.28	(3.4)
Annualised Distribution per Unit (cents)	12.68	13.12	(3.4)

1Q 2018 Vs 1Q 2017

Gross revenue for 1Q 2018 was higher than 1Q 2017 by S\$0.9 million mainly due to contribution from one nursing rehabilitation facility acquired on 14 February 2018, higher yielding properties acquired from the asset recycling initiative completed in February 2017, higher rent from the Singapore properties offset by the depreciation of the Japanese Yen as compared to the same period last year.

After deducting property expenses, we have achieved a net property income of S\$26.0 million for 1Q 2018, which was S\$0.8 million higher than 1Q 2017.

The increase in management fees were mainly due to higher deposited property value and higher net property income from the properties acquired in February 2017 and 2018, as well as valuation gains on the existing property portfolio, which led to a corresponding increase in deposited property, partially offset by the depreciation of Japanese Yen as compared to the same period last year.

The increase in trust expense was due to higher professional fees incurred for 1Q 2018. In the same period, the Group has recognised a realised foreign exchange gain of S\$0.1 million from the delivery of quarterly Japanese Yen forward contracts.

Despite the growth of portfolio, finance costs have decreased mainly due to the finance cost savings arising from the refinancing initiatives completed in 4Q 2017 and in 1Q 2018 and depreciation of the Japanese Yen.

Overall, annualised distribution per unit (DPU) of 12.68 cents for 1Q 2018 has declined by 3.4% or 0.44 cents as compared to 1Q 2017, mainly due to the absence of one-off distribution of divestment gain, arising from the divestment of four Japan properties in December 2016 which has been fully distributed to Unitholders over four quarters in FY2017. Excluding the one-off gain, DPU from recurring operations (net of amount retained for capital expenditure) for 1Q 2018 has grown by 3.6% year-on-year.

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 50 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. Also, the entire portfolio is supported by favourable rental lease structures, where at least 95% of its Singapore and Japan portfolios have downside revenue protection and 61% of the total portfolio is pegged to CPI-linked revision formulae, ensuring steady future rental growth whilst protecting revenue stability amid uncertain market conditions.

In addition, Parkway Life REIT adopts prudent financial risk management to manage the exposure to interest rate risk and foreign currency risk. Interest rate risk is managed on an ongoing basis by largely hedging long-term committed borrowings using interest rate hedging financial instruments or issuance of fixed rate notes. This strengthens Parkway Life REIT's resiliency against potential interest rate hikes. Foreign currency risk is managed by adopting a natural hedge strategy for the Japanese investments to maintain a stable net asset value and putting in place Japanese Yen forward contracts to shield against JPY currency volatility.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: First quarter distribution for the period from 1 January 2018 to 31 March 2018

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.29
Exempt Income	0.35
Capital Distribution	0.53
Total	3.17

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%.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period: Yes

Name of distribution: First quarter distribution for the period from 1 January 2017 to 31 March 2017

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.22
Exempt Income	0.40
Capital Distribution	0.44
Other Gains Distribution	0.22
Total	3.28

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.

- (c) **Book closure date:** 9 May 2018
(d) **Date payable:** 1 June 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 Certification pursuant to Paragraph 7.3 of the Property Funds Appendix

The Manager hereby certifies that in relation to the distribution to the Unitholders of Parkway Life REIT for the quarter ended 31 March 2018:

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

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

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

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

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

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

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

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

Yong Yean Chau
Chief Executive Officer and Executive Director

Ho Kian Guan
Chairman and Independent Director

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2018 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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
30 April 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.