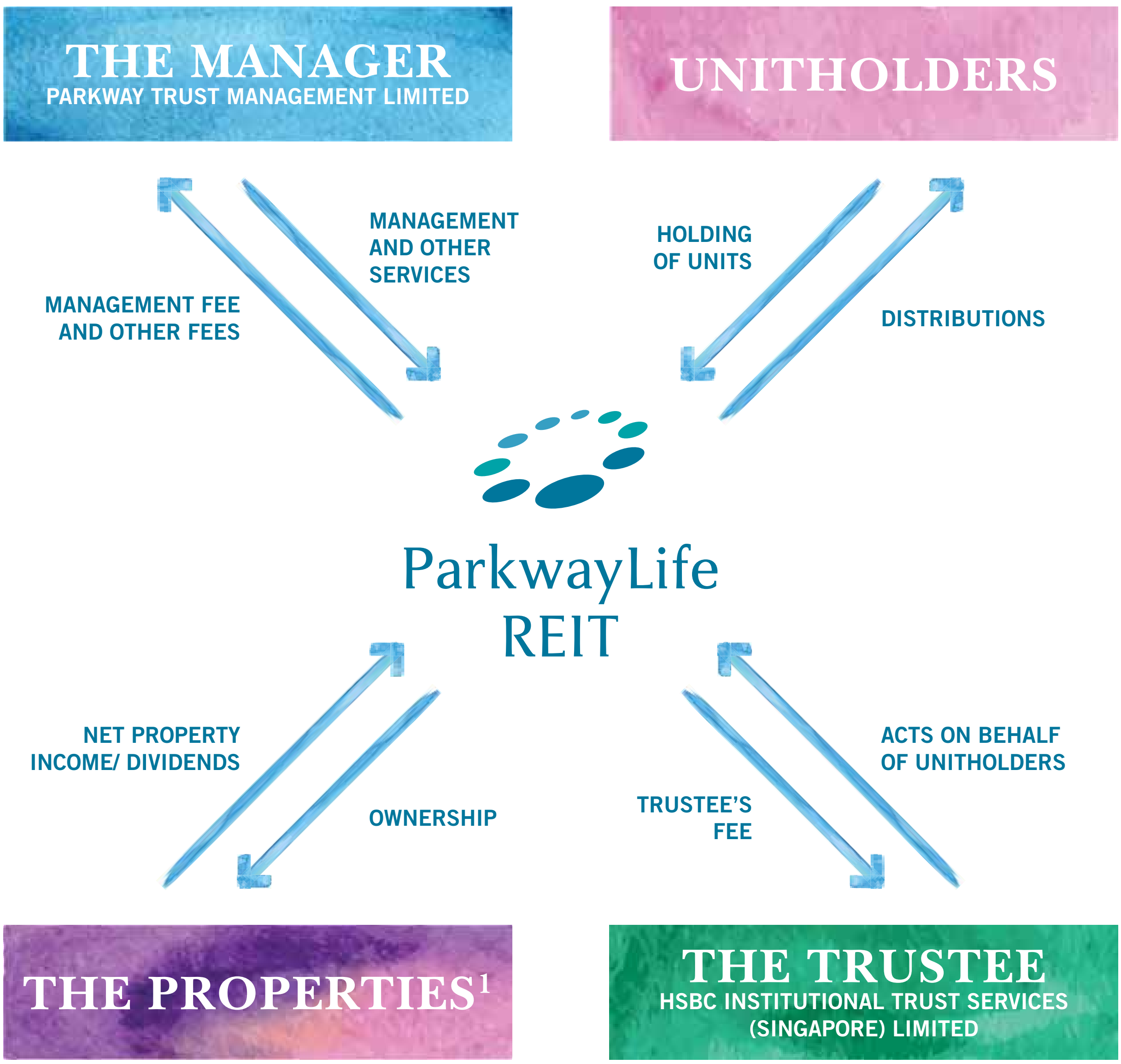
ParkwayLife REIT

ROOTED IN STRENGTH

Annual Report 2018

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.

THE STRENGTH OF STRATEGY

Building on Effective Growth Engines to Create Long-Term Value for Unitholders

PLife REIT is firmly guided by its principle of staying prudent and focused on its growth strategy, with the aim of delivering regular, stable distributions to its Unitholders. Through a multi-pronged strategy of dynamic capital and financial management, targeted investments, proactive asset management and effective asset recycling and development, PLife REIT has once again successfully delivered another year of sustained growth and value to its Unitholders.

TOTAL PORTFOLIO VALUE:
S$1.86 billion

TOTAL NUMBER OF PROPERTIES:
50

MESSAGE TO UNITHOLDERS

Being Rooted in Strength, we remain committed in delivering sustainable, long-term growth for our Unitholders as we strive to build a stronger PLife REIT in the years to come.

Mr. Ho Kian Guan, Chairman

NET ASSET VALUE PER UNIT INCREASED TO **S$1.88**

Sawayaka Obatake Nibankan

DEAR UNITHOLDERS

As PLife REIT embarks on its second decade since listing and steadfastly develops its new growth phase, it remains heedful of the evolving trends as well as the lingering downside risks plaguing the global economy and financial markets. The year saw PLife REIT building on its robust fundamentals to deliver sustenance and long-term growth, as well as uphold its track record of delivering well-insulated earnings for its Unitholders.

THE STRENGTH OF SUSTAINABLE GROWTH

For the financial year ended 31 December 2018 ("FY2018"), PLife REIT recorded a full year Distribution per Unit ("DPU") of 12.87 cents. Excluding the one-off divestment gain in FY2017[1], the DPU from recurring operations continued to increase by 3.4% in FY2018 over FY2017, registering a steady DPU growth of 103.6% since IPO.

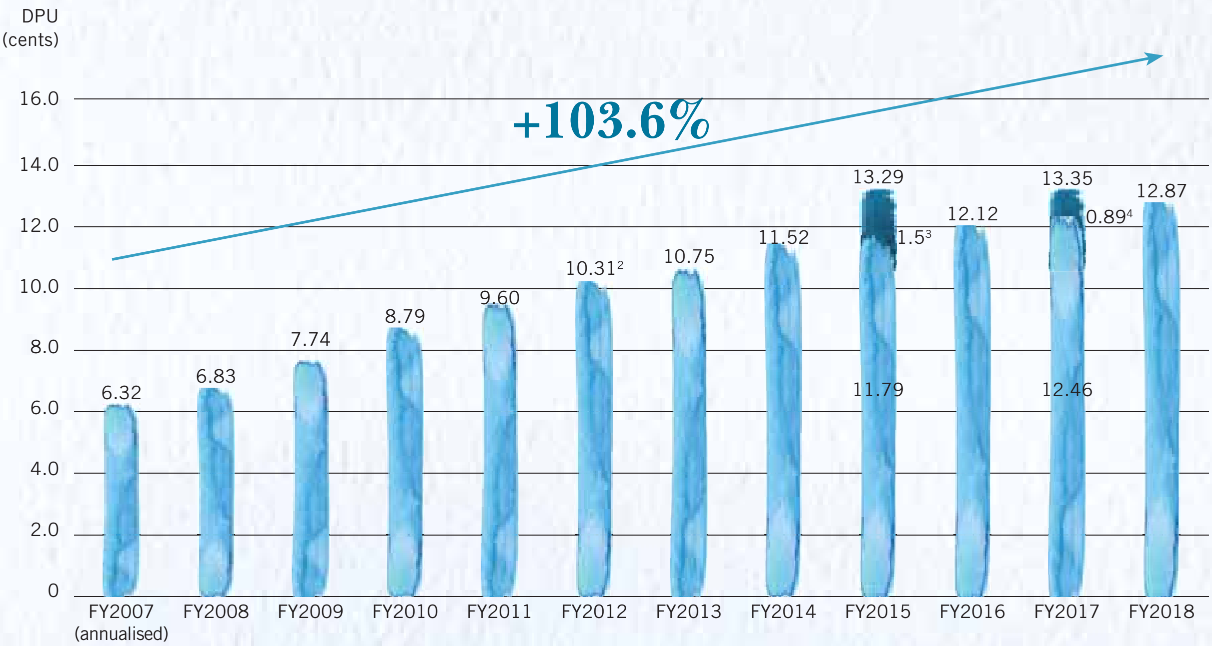
Net asset value per Unit increased to S$1.88 per Unit as at 31 December 2018, from S$1.76 per Unit a year ago.

1 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 was equally distributed over four quarters in FY2017.

DPU GROWTH SINCE IPO

+103.6%[1]

Excellent Tenpaku Garden Hills



1 Since IPO till YTD 4Q 2018
2 Since FY2012, S$3.0 million per annum of amount available for distribution has been retained for capital expenditure
3 One-off divestment gain of 1.50 cents (S$9.11 million) relating to the divestment of seven Japan assets in December 2014 was equally distributed over the four quarters in FY2015
4 One-off divestment gain of 0.89 cents (S$5.39 million) relating to the divestment of four Japan assets in December 2016 was equally distributed over the four quarters in FY2017

MESSAGE TO UNITHOLDERS

Ocean View Shonan Arasaki

THE STRENGTH OF STRATEGIES

As with past years, PLife REIT intricately worked on balancing its strategic priorities as it looked to deliver continual value and growth to its Unitholders in 2018. Amid an environment of continual uncertainties, the strategic pillar of "Dynamic Capital and Financial Management" took centre stage as PLife REIT embarked on various key finance initiatives to strengthen its capital structure and provide better assurance in dealing with its interest rate and foreign exchange exposures.

In 1Q 2018, PLife REIT capitalised on the opportunity to tap the capital markets to term out the bulk of its maturing loans due in 2019. With the issuance of the JPY3.5 billion 6-year senior unsecured fixed rate notes (the "Notes Issue") under the S$500 million Multicurrency Debt Issuance Programme, the Group's funding sources were further diversified and its debt maturity profile extended to 2024. The successful Notes Issue at an attractive fixed rate pricing of 0.65% per annum, garnered strong support from Japanese institutional investors, affirming the continual belief in PLife REIT's growth strategy in Japan. In 3Q 2018, PLife REIT followed through with further pre-emptive refinancing initiative to term out the remaining loans due in 2019.

Recognising the Group's exposure to the Japan market, with 39.8%[1] of its revenue coming from that region, PLife REIT had consistently been adopting a natural hedge strategy for its Japanese investments to maintain a stable net asset value. In 2018, PLife REIT also further extended its JPY net income hedge acting as an effective shield against JPY currency volatility till 1Q 2023. Through the concerted efforts of the various capital and risk management initiatives, PLife REIT ended the year with a stronger financial position. With diversified funding sources at low effective all-in-cost of debt of 0.97% per annum, PLife REIT will have no near term refinancing risk till 2020. Coupled with a well spread out debt maturity profile with weighted average term to maturity at 2.9 years, no more than 30% of debts will be due in a single year. As at 31 December 2018, PLife REIT's interest cover stood healthy at 13.7 times with its interest rate exposure largely hedged. Gearing remained optimal at 36.1%.

During the year, PLife REIT faithfully engaged in "Proactive Asset Management" of its portfolio, with continual emphasis on nurturing strong landlord-lessee relationships for this specialised asset class. In the belief that PLife REIT can drive value for its Unitholders as it helps its operators to grow through property enhancement works tailored to address operators' varying needs, two more collaborative asset enhancement initiatives ("AEI") were carried out at its Japan property, Ocean View Shonan Arasaki property in 2018. To-date, PLife REIT has successfully rolled out a total of 14 AEIs for its Japan portfolio and 1 AEI for its Malaysia portfolio.

1 As at 31 December 2018

With the view to bolster long term sustainable growth, PLife REIT continued on its "Targeted Investment" approach in 2018 with the selective acquisition of a nursing rehabilitation facility in Japan, Konosu Nursing Home Kyoseien, for JPY1,500 million (approximately S$17.8 million). Strategically located in Saitama Prefecture, the acquisition which was secured on a fresh 20-year master lease arrangement signified a new partnership with another experienced operator in Japan, further strengthening the Japan portfolio attributes. With the growing ageing population and shrinking family sizes continuing to contribute to the increase in demand for aged care facilities in Japan, the newly acquired asset enjoys a stable operational occupancy of approximately 100%.

THE STRENGTH OF RESILIENCE

Building on the strong foundation laid since listing in 2007, PLife REIT remains as one of Asia's largest healthcare REITs. With an enlarged portfolio of 50 properties worth approximately S$1.86 billion, PLife REIT continues to be well poised to benefit from the resilient growth of the healthcare industry in the Asia Pacific region. With 95% of its Singapore and Japan portfolios having downside revenue protection and 61% of its total portfolio pegged to CPI-linked revision formula, PLife REIT's favourable lease structures continue to provide steady rental growth whilst protecting revenue stability amid uncertain market conditions. As at 31 December 2018, the weighted average lease to expiry stands at 7.11 years and coupled with the prudent financial risk management initiatives put in place during the year, PLife REIT continues to offer one of the strongest earnings visibility profiles among S-REITs.

OUTLOOK

The long-term outlook of the healthcare industry continues to be driven by an ageing population regionally, demand for better quality healthcare as well as aged care services. Nonetheless, with global growth expected to slow down and macroeconomic, geopolitical uncertainties as well as volatility within the financial markets likely to persist in 2019, PLife REIT will remain cautious and vigilant as it continues to pursue strategic opportunities to drive value for Unitholders.

ACKNOWLEDGEMENTS

We would like to extend our sincere appreciation to our Board members for their invaluable guidance and contributions. Special thanks as well to the Management team and staff for their efforts and dedication in delivering consistent value and growth of PLife REIT.

Lastly we wish to express our deepest gratitude to our Unitholders, business partners and lessees for their continued support and trust.

Being Rooted in Strength, we remain committed in delivering sustainable, long-term growth for our Unitholders as we strive to build a stronger PLife REIT in the years to come.

HO KIAN GUAN
Chairman

YONG YEAN CHAU
Chief Executive Officer and Executive Director

CORPORATE DEVELOPMENT

Konosu Nursing Home Kyoseien

In 2018, aside from the uncertainty arising from protectionist trade policies and geopolitical tensions, monetary policy normalization led to tightening global financial conditions across several major markets. In the face of ongoing unpredictability in the global economy and financial markets, PLife REIT stayed committed in driving resilient growth and value for its Unitholders as it strategically executed its key growth strategies during the year to remain "**Rooted in Strength**".

TARGETED INVESTMENT

PLife REIT kickstarted the year with the acquisition of its 50th asset, a nursing rehabilitation facility that provides long-term aged care with nursing care and functional training under the supervision of medical experts. Taking on a disciplined and discerning approach in its acquisition, PLife REIT strives to strengthen its overall portfolio attributes with each acquisition. At a consideration of JPY1,500 million (approximately S$17.8 million[1]), the new property, Konosu Nursing Home Kyoseien, which was acquired at 7.4% below the property's valuation, generated a net property yield of 6.7%. Completed in February 2018, the acquisition delivered immediate yield growth for PLife REIT and further enhanced the attributes of its Japan portfolio.

Secured on a fresh 20-year master lease arrangement under the sale-and-leaseback arrangement with an experienced nursing home operator, Iryouhoujin Shadan Kouaikai, the acquisition further lengthened the weighted average lease expiry of PLife REIT's portfolio and strengthened its tenant base. Strategically located in the residential neighbourhood of Konosu City, Saitama prefecture, within the Greater Tokyo Region, the property is well maintained and enjoys stable operational occupancy of approximately 100%.

1 Based on an exchange rate of S$1.00 to JPY84.25 as stated in the announcement released on 7 February 2018

PROACTIVE ASSET MANAGEMENT

Over the years as the portfolio grew in size, PLife REIT conscientiously managed and reviewed its properties and portfolio mix with the view of building an optimal portfolio that sustains organic growth and value.

Given the specialised nature of healthcare assets, PLife REIT recognises the value of having credible, experienced operators for its portfolio and is keenly aware of the importance of fostering strong and effective relationships with its lessees. Since the implementation of its maiden collaborative Asset Enhancement Initiative ("AEI") in 2009, PLife REIT continues to work cohesively with its lessees to tailor property enhancement works suited for their respective operational needs. In February 2018, PLife REIT completed two other AEIs at the Ocean View Shonan Arasaki property in Japan. In conjunction with its efforts to drive sustainability, the recent AEIs involved the conversion of an existing lighting system to a full energy efficient LED system and the replacement of an existing air conditioning system to energy efficient multi-split packaged air conditioning units. Following the completion of the AEI works, the rent for Ocean View Shonan Arasaki property increased by 1.6% for the unexpired lease term of approximately 16.86 years effective 1 March 2018. To-date, PLife REIT has successfully rolled out a total of 14 AEIs for its Japan portfolio and 1 AEI for its Malaysia portfolio.

DYNAMIC CAPITAL AND FINANCIAL MANAGEMENT

PLife REIT's proven financial and risk management strategy has underpinned its sustainable returns over the years. Recognising the importance of staying well prepared in an environment of uncertainty and volatility in the financial markets, PLife REIT embarked on various key finance initiatives in 2018 to enhance the defensiveness of its balance sheet and safeguard the stability and resiliency of its distributions to Unitholders.

In February 2018, PLife REIT tapped the capital markets to further diversify its funding sources. Through its wholly-owned subsidiary, Parkway Life MTN Pte Ltd, a 6-year JPY3.5 billion senior unsecured fixed rate notes (the "Notes Issue") under the S$500 million Multicurrency Debt Issuance Programme was issued at a fixed rate of 0.65% per annum. Denominated in JPY, the Notes Issue serves as a natural hedge for PLife REIT's Japanese assets, eliminating its exposure to foreign exchange risk.

With the Notes Issue, over 50% of PLife REIT's loans due in 2019 had been termed out with its debt maturity profile extended to year 2024. The Notes issued at attractive pricing reflected the continued strong support of the Japanese institutional investors and vote of confidence in PLife REIT's growth strategy in Japan.

In 1Q 2018, PLife REIT refinanced and termed out the remaining Japanese Yen loan due in 2019 using the proceeds from the Notes Issue as well as the drawdown of a 6-year JPY4.4 billion term loan facility. Committed in strengthening its financial position, PLife REIT further refinanced an existing S$50 million loan due in 2019 and termed out the SGD short term loans via a 3-year S$75 million revolving credit facility in 3Q 2018. Following the slew of refinancing initiatives, PLife REIT had eliminated its near term debt refinancing risk.

CORPORATE DEVELOPMENT

Sawayaka Mekari Nibankan

Cognisant of its foreign currency exposure, PLife REIT continues to prudently manage its exposure against foreign currency risks. During the year, it further extended its JPY net income hedge till 1Q 2023 to bolster the long-term stability of its distributions to Unitholders.

As at 31 December 2018, PLife REIT's gearing remained optimal at 36.1% with a low effective all-in cost of debt of 0.97% per annum. With no near term refinancing risk till 2020, its weighted average term to maturity stood at 2.9 years, with no more than 30% of debt due in a single year. Maintaining a prudent stance in managing its interest rate risks as well, PLife REIT's interest rate exposure remained largely hedged with an interest cover at 13.7 times. With the resilient performance and healthy liquidity position, Moody's maintained its investment grade rating of 'Baa2' with stable outlook for PLife REIT.

MARKET REVIEW AND OUTLOOK

MARKET CHALLENGES PERSIST

2018 saw a turbulent year of financial market volatility, as equities started the year with fervour - the S&P 500 reached a record high in September - only to give way to reduced optimism by December. While the global economic growth that started since 2016 continued in 2018, the expansion has since weakened and become less synchronized across economies. Downside risks to global growth have risen, tied particularly to tightening global financial conditions as monetary policy normalizes, rising trade tensions and political dysfunction[1]. Despite rising macroeconomic and geopolitical uncertainties, PLife REIT remained resilient, performing in line with forecasts and strengthening its portfolio while maintaining a strong balance sheet.

For 2018, the IMF maintained its global growth projections at 3.7 percent. Looking ahead to 2019, the pace of economic expansion is expected to ease as global growth is projected at 3.5 percent, 0.2 percentage point below last October's projections[1].

Meanwhile, in the United States, momentum is still strong as fiscal stimulus continues to take its effect, but the forecast is projected to moderate from 2.9 percent in 2018 to 2.5 percent in 2019 due to escalating trade tensions, including the tariffs imposed on US imports from China and trading partners undertaking or promising retaliatory and other protective measures[1].

In Asia, China is projected to further moderate its economic growth in 2019. Despite accommodative macroeconomic stimulus and resilient domestic demand likely providing some cushion to growth, China's economy will slow on account of a more restrained credit growth and increased trade barriers.

On the geopolitical front, the lack of clarity from Brexit weeks before the U.K's departure from the European Union, German Chancellor Angela Merkel's announcement that she is to retire from politics, the ongoing "Yellow Vest" protests in France[2] and the longest-ever government shutdown in Washington, continue to cast a shadow on financial markets. As one of the biggest healthcare REITs in Asia, PLife REIT continues to provide an attractive investment proposition in an increasingly indeterminate environment, maintaining its growth momentum while achieving another year of sustainable, stable and resilient distributions.

1 IMF (January 2019). World Economic Outlook
2 Global tension is hampering our ability to fight climate change, Davos survey warns (2019, January 16), CNBC

MARKET REVIEW AND OUTLOOK

STRONG, SUPPORTIVE FUNDAMENTALS IN JAPAN

The rare bright spot in the uncertain global environment is Japan, where 2019 projections have been revised upwards by 0.2 percentage point to 1.1% due to an expected fiscal support to the economy from measures to mitigate the effects of the planned consumption tax rate increase in October 2019[1]. Japan's slowing population growth and ageing population has inevitably impacted the country's labour force and put a strain on their ability to care for the elderly. In December 2018, lawmakers in Japan passed a bill to overhaul the immigration control law, adopting changes designed to bring hundreds of thousands into short-handed sectors. The government estimates up to 60,000 people will use the new visa to find nursing care jobs in Japan in the first five years, making it the biggest job category in terms of the number of foreign workers[3]. With 40% of the Japanese population set to be aged 65 and above by 2050[4], this legislation change is expected to provide relief to the aged care sector, which could see nursing care operators ramping up their expansion.

With its portfolio of 45 high quality nursing home and care facility properties across the country, PLife REIT is well positioned to benefit from the government initiatives and continued demographic developments in this sector.

SINGAPORE STRENGTHENS POSITION AS GLOBAL HEALTHCARE HUB

With an estimated spending average of one-third less than the OECD average[5], healthcare spending across Asia is set to rise. Frost & Sullivan estimated that the Asia-Pacific healthcare industry accounted for 28% of the US$2 trillion global market, expanding at 11.1% in 2018[6]. This represents one of the fastest growing regions in the world, even as the global healthcare economy averaged a 4.8% annual growth rate.

During Singapore's 2018 Budget last year, Finance Minister Heng Swee Keat explained that the government would put aside some S$10.2 billion for healthcare expenditure, adding that he expects Singapore's average annual healthcare spending to rise from 2.2% of gross domestic product (GDP) today to almost 3% of GDP over the next decade, driven by an ageing population and increase in the number of citizens with chronic conditions. This represents an increase of nearly 0.8-percentage point of GDP, or about S$3.6 billion in today's dollars[7].

Beyond rising domestic demand, driven by an ageing population, rising affluence as well as increasing awareness of healthcare standards, Singapore is also an attractive hub for medical tourism. According to data from a medical tourism index, Singapore was also ranked the most attractive out of seven Asian countries in 2017 for patient experience[8].

The country's well-developed healthcare regulatory landscape also makes it the top choice in the region for patients who need world-class care for complex conditions.

With strong government support and growing private sector interest in the healthcare assets, this industry is poised to undergo a period of stronger growth. PLife REIT is well-placed to ride on this uptrend with its three strategically-located world-class private hospitals in its Singapore portfolio.

GROWTH OF MEDICAL TOURISM IN MALAYSIA

Malaysia's market for medical tourism has been identified as a key economic area, with the Ministry of Health Malaysia and its subsidiary, Malaysia Healthcare Travel Council, taking practical steps to grow this sector further in 2018, with specific allocations being made for Malaysia Healthcare in developing the medical tourism industry[9].

3 Japan approves 126 measures to attract more foreign workers (2018, December 25), Nikkei Asian Review
4 World Population Review (2018). Japan Population
5 Healthcare Sector's Growth Prospects Draw Fund Flows (2019, January 9), Singapore Exchange
6 Frost & Sullivan: Double digit growth rates will propel APAC to form 28% of US$2 trillion global healthcare market in 2018 (2019, January 19), Frost & Sullivan
7 Budget round-up speech by Minister Heng Swee Keat for Finance, (2018) Ministry of Communications and Information
8 Singapore tops for medical tourism, but rivals catching up quickly (2017, June 6), The Straits Times
9 Top Medical Tourism Destination has even bigger plans (2018) International Medical Travel Journal

Having been named "Destination of the Year" by the International Medical Tourism Journal for three consecutive years[10], Malaysia's hospitals offer world-class quality healthcare to patients from around the world, with the benefit of affordability and high accessibility.

Supported by strong fundamentals and demographic trends in Asia, PLife REIT is well-poised to tap into the growing demand in the regional healthcare sector and to explore further opportunities to grow its portfolio by selectively seeking out value-generating acquisitions that add to the defensiveness and stability of its overall portfolio.

S-REITS AN ATTRACTIVE YIELD PLAY

Macro uncertainties amid global trade tensions is likely to weigh on investors' minds in 2019, pushing them to seek protection in yield plays like S-REITs[11]. PLife REIT, being one of SGX's only three listed healthcare REITs and trusts, stands in good stead to continue offering investors stability with its long average lease expiry profile and downside-protected rent structure for its portfolio.

As one of the largest listed healthcare REITs in Asia with robust fundamentals, PLife REIT remains strategically positioned to benefit from this growing healthcare industry and leverage on its core expertise as it seeks out opportunities to meet the growing demand.

10 The IMTJ Medical Travel Award Winners in 2018 (2018), International Medical Travel Journal
11 Singapore Reits start the year well 'likely to continue to shine'. (2019, January 4), The Business Times

THE STRENGTH OF SUSTAINABLE GROWTH

Sustaining Stable Growth Through the Years

PLife REIT remains steadfast in building on its fundamentals to ensure sustainable earnings even amidst challenging market conditions. Over the years, these unique core values successfully navigated the REIT from market volatilities, as it grew from strength to strength.

GROWTH IN
PORTFOLIO VALUE
SINCE IPO:
140.2%

GROWTH
IN MARKET
CAPITALISATION
SINCE IPO:
106.7%

BOARD OF DIRECTORS

MR. HO KIAN GUAN

Independent Director and Chairman of the Board of Directors

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.

DR. JENNIFER LEE GEK CHOO

Independent Director and Chairman of the Nominating and Remuneration Committee

Dr. Jennifer Lee serves on the boards of Parkway Trust Management Limited 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, and Chairperson of the Agency for Integrated Care from 2009 to 2018.

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.

MS. CHEAH SUI LING

Independent Director and Chairman of the Audit Committee

Ms. Cheah is currently Operating Partner at Wavemaker Partners, a tech-focused venture capital fund dual headquartered in Singapore and Los Angeles. She is responsible for helping portfolio companies with business development, capital raising and eventual exits.

Ms. Cheah previously spent more than 20 years in the investment banking industry. She started her career with Merrill Lynch New York, followed by stints in Singapore and London. Subsequently she became Executive Director of Investment Banking at JP Morgan Singapore and later served as Co-head of Corporate Finance SEA at BNP Paribas.

Ms. Cheah holds a B.A. in Economics and French from Wellesley College.

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 27 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

DR. LIM SUET WUN

Non-Executive Director

Dr. Lim is the Group Chief Operating Officer of IHH Healthcare Berhad.

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 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.

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

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

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

MS. ROSSANA ANNIZAH BINTI AHMAD RASHID

Non-Executive Director

Ms. Rossana 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 Board Committee of Acibadem Saglik Yatirimlari Holding A.S., an indirect subsidiary of IHH Healthcare Berhad.

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. She was also appointed as an Independent Non-Executive Director of edotco Group Sdn Bhd in May 2016 and Independent Non-Executive Director of Celcom Axiata Berhad in May 2017, both are subsidiaries of Axiata Group Berhad.

Prior to her current roles, Ms. Rossana was a career professional holding leadership positions in the telecommunication 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 30 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 monetization 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).

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 ("CFO") 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 CFO, 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 CFO 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.

MR. YONG YEAN CHAU

Chief Executive Officer and Executive Director

Mr. Yong is the Chief Executive Officer ("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 Institute of Singapore Chartered Acccountants ("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
HO KIAN GUAN Age: 73 Appointed on: 21/10/2016	Non-Executive/ Independent Director, Chairman of the Board of Directors and Member of the Audit 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. JENNIFER LEE GEK CHOO Age: 66 Appointed on: 30/06/2016	Non-Executive/ Independent Director, Chairman of Nominating and Remuneration Committee and Member of Audit Committee	MBBS, National University of Singapore MBA, National University of Singapore	Director of The Esplanade Company Ltd Director of Ministry of Health Holdings (Stepped down on 31 August 2018) Chairman of Agency for Integrated Care Pte Ltd (Stepped down on 31 August 2018) Director of The Gentle Warriors Trust Ltd (resigned on 31 December 2017) Director of Bumrungrad International Ltd (dissolved on 28 December 2017)
CHEAH SUI LING Age: 47 Appointed on: 24/04/2017	Non-Executive/ Independent Director, Chairman of Audit Committee and Member of Nominating and Remuneration Committee	BA, Economics and French, Wellesley College, Massachusetts, USA	Operating Partner of Wavemaker Partners Independent Non-Executive Director of M&C REIT Management Limited Independent Non-Executive Director of M&C Business Trust Management Limited Non-Executive Director of Leap201
DR. TAN SEE LENG Age: 54 Appointed on: 21/06/2011	Non-Executive Director, 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 Non-Executive and Non-Independent Director Of Fortis Healthcare Limited Member of the Advisory Board of Lee Kong Chian School of Business, Singapore Management University Adjunct Assistant Professor, Duke-NUS Medical School
DR. LIM SUET WUN Age: 59 Appointed on: 26/02/2014	Non-Executive Director	MBBS, National University of Singapore MPH, UCLA MBA, UCLA	Group Chief Operating Officer of IHH Healthcare Berhad Director of Parkway Pantai Limited (Resigned on 1 March 2018) Honorary Secretary in the Council of the Singapore National Employers Federation
ROSSANA ANNIZAH BINTI AHMAD RASHID Age: 53 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 (resigned on 1 March 2018) 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 (Malaysia) 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 Saglik Yatirimlari Holding A.S. Independent Non-Executive Director of Celcom Axiata Berhad
LOW SOON TECK Age: 54 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 Non-Executive and Non-Independent Director of Fortis Healthcare Limited
YONG YEAN CHAU Age: 53 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

MR. YONG YEAN CHAU

Chief Executive Officer and Executive Director

(Please see biography under Board of Directors)

MR. LOO HOCK LEONG

Chief Financial Officer

Mr. Loo brings with him 23 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 companies in areas of corporate finance and mergers & acquisitions. 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 Master of Applied Finance from the Macquarie University with three distinguished awards: Best Overall Performance, Best in Derivatives Valuation and Best in Legal & Tax Risk in Finance. He also possessed a professional qualification in accounting from ISCA and is a Chartered Accountant with ISCA.

MR. TAN SEAK SZE

Chief Investment Officer

Mr. Tan has more than 25 years of experience in the areas of real estate investment, corporate finance, operation, business development and marketing.

Prior to joining Parkway Trust Management Limited in June 2009, he was the Vice President, Investment of CapitaLand Group overseeing the investment activities of CapitaLand's retail business unit in India. Prior to that, 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 to the position of Chief Executive Officer of L&T Infocity-Ascendas Ltd, a developer company of IT complexes in Hyderabad, India. He held various finance and corporate finance positions within the Ascendas Group between 2001 and 2003.

Mr. Tan was with JTC International Pte Ltd from 1994 to 2000 where he held various business development, investment and planning positions. After graduation, Mr. Tan worked as a loan officer with the Corporate Banking Department (Real Estate Division) of DBS Bank from 1991 to 1994.

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

MS. LIU CHEN YIN

Chief Portfolio Officer

Ms. Liu brings with her 19 years of experience in real estate industry.

Currently serving as Chief Portfolio Officer, Ms Liu supports the CEO in formulating strategic plans to optimize the portfolio mix and returns of PLife REIT's assets. She leads the asset management and projects team in the execution of portfolio management, strategic divestment, asset enhancement and positioning of the assets.

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.

MS. TEO CHIN PING

Vice President
Head, Projects

Ms. Teo brings with her 23 years of extensive experience in the field of architecture design, master planning, project and construction management of projects in Singapore and overseas.

She was previously a Project Manager with Thomson International Health Services Pte Ltd (subsidiary of Thomson Medical Center), Singapore General Hospital and PMLink Pte Ltd. Prior to that she also worked as senior architect on a variety of projects with ACP Construction Pte Ltd and ST Architects and Engineers Ptd Ltd. She has extensive experience in design, project management as well as construction management of greenfield and brownfield projects in the healthcare / residential / education / commercial / industrial / warehouse sectors both Singapore and Overseas.

Ms. Teo graduated from University of Tasmania, Australia in 1995 with a Bachelor of Architecture and Bachelor of Environmental Design. She also was awarded Board of Architects Prize by Singapore Board of Architects in conjunction with her Diploma in Architectural Technology. She is also a Qualified Architect with the Board of Architects, Singapore.

MS. PATRICIA NG

Vice President
Head, Finance

Ms. Ng brings with her more than 18 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. She is an ASEAN Chartered Professional Accountant and also a Chartered Accountant with ISCA. She also holds an Executive Master of Business Administration from The University of Hull Business School, United Kingdom.

MR. SHAWN YAP

Vice President
Head, Asset Management

Mr. Yap brings with him 16 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.

MR. WAYNE LEE

Assistant Vice President
Head, Investment & Special Project

Mr. Lee brings with him 16 years of experience in the real estate and REIT sectors, mainly in areas of business development, valuation, fund management, investment and asset management.

Prior to his appointment with the Manager, he was with Ascendas Property Fund Trustee, the trustee-manager of Ascendas India Trust. His responsibilities in the investment and asset management team included portfolio management, financial modelling, feasibility and due diligence assessment of investment opportunities. He was also involved in the acquisition of aVance Business Hub in Hyderabad and the asset refurbishment of Tech Park Mall in Bangalore.

From 2002 to 2007, he was a Business Development Executive and Senior Valuer with Wing Tai Holdings Limited and Chesterton International Property Consultants Pte Ltd respectively.

Mr. Lee holds a Master of Science (Real Estate) from National University of Singapore and a Bachelor in Business majoring in Property from University of South Australia. He is also a registered licensed appraiser and member of the Singapore Institute of Surveyor and Valuer.

MS. ANNIE CHEN

Assistant Vice President
Corporate Finance

Ms. Chen brings with her more than 14 years of accounting experience, with about 10 years in corporate finance and treasury. She oversees the corporate finance function and is instrumental in securing the necessary banks and capital market financing to support the growth of the REIT. She also drives the financial risk management and treasury strategies, in ensuring that the REIT maintains a strong financial position.

Prior to joining the Manager, she was with the Singapore Tourism Board's Finance and Information Technology (IT) departments.

Ms. Chen graduated with a professional qualification from the Association of Chartered Certified Accountants and is a Chartered Accountant with ISCA. She also holds a Bachelor of Science (Applied Accounting) from Oxford Brookes University of United Kingdom as well as a Bachelor of Commerce (IT) from Curtin University of Technology of Australia.

THE STRENGTH OF RESILIENCE

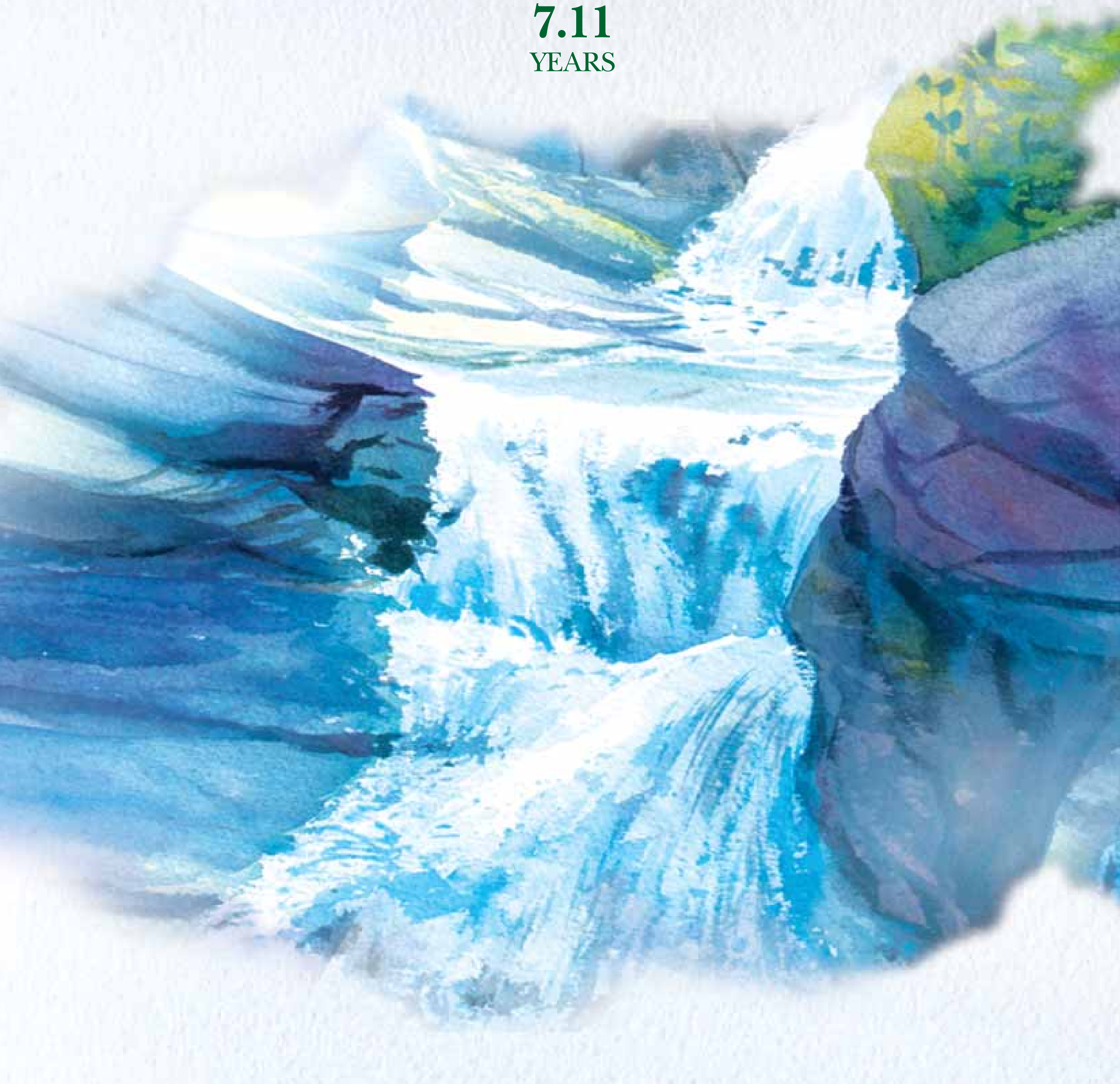
Being the Defensive among the Defensives

Even with an enlarged portfolio, PLife REIT remains grounded on the need to proactively and consistently manage the risks associated with its portfolio.

Amidst the current market environment, PLife REIT stands out as a resilient and defensive safe haven for investors due to its strong record of stable earnings as well as robust interest rate and foreign exchange hedges in place.

DOWNSIDE PROTECTION
(by Gross Revenue):
94.8%

WEIGHTED AVERAGE LEASE TERM TO EXPIRY
(by Gross Revenue):
7.11
YEARS



FINANCIAL HIGHLIGHTS

CONSISTENT GROWTH THROUGH THE YEARS

PLife REIT has successfully delivered yet another year of steady growth. PLife REIT's robust fundamentals, focused growth strategy and deep in-market expertise will ensure sustainable returns for Unitholders as it forges ahead from a position of strength. As at 31 December 2018, PLife REIT owns a resilient portfolio of 50 high-quality healthcare and aged care properties valued at approximately S$1.86 billion.

Financial Year	Number of Properties	Portfolio Value (S$)*	Number of Lessees
FY18	**50**	**1.86b**	**28**
FY17	49	1.73b	27
FY16	44	1.66b	23
FY15	47	1.64b	25
FY14	41	1.50b	21
FY13	44	1.48b	21
FY12	37	1.43b	21
FY11	33	1.38b	18
FY10	32	1.30b	18
FY09	21	1.15b	14
FY08	13	1.05b	8
FY07	3	0.83b	1

* Total portfolio value as at 31 December of each year

FINANCIAL PERFORMANCE AT A GLANCE

GROSS REVENUE
(S$'000)

FY18	**112,838**
FY17	109,881
FY16	110,123
FY15	102,694

NET PROPERTY INCOME
(S$'000)

FY18	**105,404**
FY17	102,649
FY16	102,426
FY15	95,997

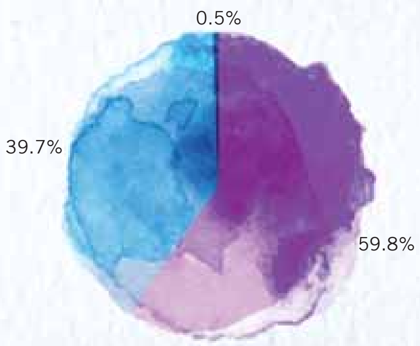
DISTRIBUTABLE INCOME
(S$'000)

FY18			**77,897**
FY17	75,363	5,390[1]	80,753
FY16			73,306
FY15	71,275	9,110[2]	80,385

DISTRIBUTION PER UNIT
(Singapore Cents)

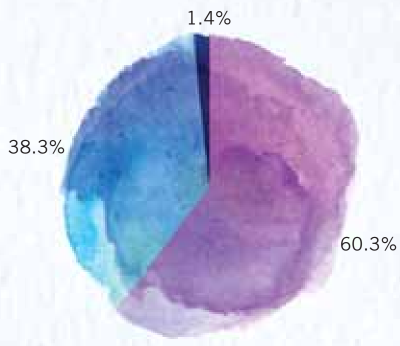
FY18			**12.87**
FY17	12.46	0.89[1]	13.35
FY16			12.12
FY15	11.79	1.5[2]	13.29

FY2018 GROSS REVENUE BREAKDOWN BY GEOGRAPHY



- Singapore
- Japan
- Malaysia

FY2018 GROSS REVENUE BREAKDOWN BY ASSET CLASS



- Hospitals and Medical Centres
- Nursing Homes
- Pharmaceutical Product Distributing and Manufacturing Facility

1 Refers to distribution of divestment gains (after tax) of S$5,390,000 in relation to the divestment of four Japan properties in December 2016
2 Refers to distribution of divestment gains (after tax) of S$9,110,000 in relation to the divestment of seven Japan properties in December 2014

FINANCIAL HIGHLIGHTS

SOUND FUNDAMENTALS

Underpinned by proven financial strategies, the REIT maintains a strong balance sheet to enable greater financial flexibility as it explores attractive opportunities in the market.

KEY METRICS
(As at 31 December 2018)

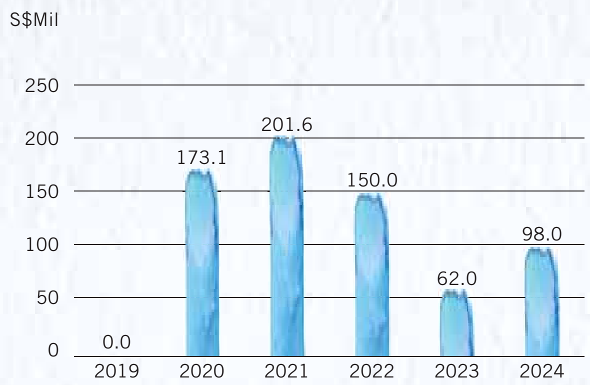
GEARING
36.1%

TOTAL ASSETS
S$1.89 billion

WEIGHTED AVERAGE TERM TO MATURITY
2.9 years

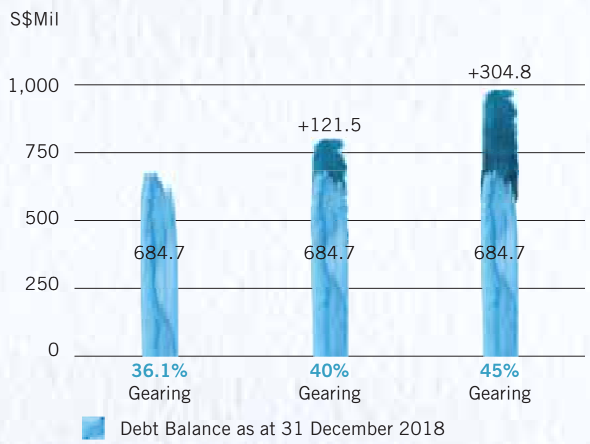
EFFECTIVE ALL-IN COST OF DEBT
0.97%

DEBT MATURITY PROFILE
(As at 31 December 2018)



AMPLE DEBT HEADROOM

Debt headroom of S$121.5 million and S$304.8 million before reaching 40% and 45% gearing respectively



SIGNIFICANT EVENTS

14 FEBRUARY 2018

Completed the acquisition of PLife REIT's 50th property, an elderly nursing rehabilitation facility located in Japan, the Konosu Nursing Home Kyoseien.

30 APRIL 2018

Announced 1Q 2018 results: Gross revenue saw a 3.2% y-o-y increase to S$27.8 million. Distributable income from recurring operations continued to grow by 3.6% y-o-y while on an overall basis, total distributable income decreased 3.4% due to the absence of a one-off divestment gain[2]. DPU of 3.17 Singapore cents for the period declared.

Announced the completion of asset enhancement initiatives at Ocean View Shonan Arasaki with a total cost outlay of JPY26.0 million (approximately S$0.32 million[3]), the enhanced properties contributed a rental increased by 1.6% for the remaining lease term of 16.86 years effective 1 March 2018.

The REIT successfully refinanced and termed out the remaining JPY loan due in 2019 using the proceeds from the Notes Issue as well as a 6-year JPY4.4 billion term loan facility.

25 OCTOBER 2018

Announced 3Q 2018 results: Gross revenue saw an increase by 2.5% y-o-y to S$28.4 million. Distributable income from recurring operations continued to grow by 2.7% y-o-y while on an overall basis, total distributable income declined 4.1% due to the absence of a one-off divestment gain[2]. DPU of 3.23 Singapore cents for the period declared.

Completed refinancing of all loans due in 2019, with no long-term debt refinancing need till 2020.

26 FEBRUARY 2018

Issuance of JPY3.5 billion (approximately S$42.1 million[1]) 0.65% 6-year senior unsecured notes due 2024 (the "Notes Issue"), under the S$500 million Multicurrency Debt Issuance Programme. With that, PLife REIT has further diversified its funding sources and extended debt maturity profile to 2024.

26 JULY 2018

Announced 2Q 2018 results: Gross revenue saw a steady y-o-y increase by 1.3% to S$28.1 million. Distributable income from recurring operations continued to grow by 3.2% y-o-y while on an overall basis, total distributable income declined 3.7% due to the absence of a one-off divestment gain[2]. DPU of 3.19 Singapore cents for the period declared.

Announced that Minimum Guaranteed Rent for the Singapore Hospitals increased by 1.38% for the 12th year of lease term that commenced on 23 August 2018 under the CPI + 1% rent revision formula.

Further extended JPY net income hedge till 1Q 2023.

28 JANUARY 2019

Announced 4Q 2018 results: Gross revenue saw a steady increase by 3.7% y-o-y to S$28.6 million. Distributable income from recurring operations continued to grow by 3.9% y-o-y while on an overall basis, total distributable income declined by 2.9% due to the absence of a one-off divestment gain[2]. DPU of 3.28 Singapore cents for the period declared.

1 Based on the exchange rate of S$1.00: JPY83.13 as stated in the announcement released on 20 February 2018
2 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 was equally distributed over four quarters in FY2017
3 Based on the exchange rate of S$1.00: JPY80.91 as stated in the announcement released on 30 April 2018

PORTFOLIO HIGHLIGHTS

PORTFOLIO HIGHLIGHTS

Given the specialised nature of healthcare assets, the REIT recognises the importance of working with strong credible operators and building strong landlord-lessee relationships. A big part of the REIT's success is due to the strong partnerships it has fostered with operators, who are long-standing local partners with deep knowledge in their respective markets.

As part of PLife REIT's initiative to drive organic growth, it engages in proactive asset management to maximise portfolio performance. The REIT works in close collaboration with its lessees to assess asset enhancement opportunities in order to enhance the revenue-generating ability of its properties. Such strategic collaborative arrangements serve to benefit all parties and promote greater revenue sustainability for PLife REIT.

KEY PORTFOLIO STATISTICS[1]

NUMBER OF PROPERTIES
50

NUMBER OF LESSEES
28

APPRAISED VALUE
S$1.86 billion[2]

FLOOR AREA
306,828 sqm

WEIGHTED AVERAGE LEASE TERM TO EXPIRY (by gross revenue)
7.11[3] years

DOWNSIDE PROTECTION (by gross revenue)
94.8%

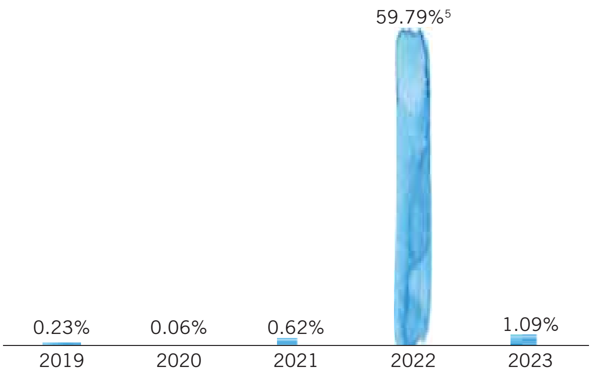
CPI-LINKED REVISION FORMULAE (by gross revenue)
60.9%

LEASES WITH RENT REVIEW PROVISION (by NLA)
96.6%

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

LEASE EXPIRY PROFILE FOR THE NEXT 5 YEARS

(By % of Portfolio Revenue)



TOP 10 TENANTS

	Tenant	%
1	Parkway Hospitals Singapore Pte. Ltd.	59.8
2	K.K. Sawayaka Club	8.6
3	K.K. Habitation	5.7
4	K.K. Asset	3.1
5	Miyako Enterprise Co., Ltd.	2.6
6	Riei Co., Ltd	2.2
7	Green Life Higashi Nihon	1.5
8	Alere Medical Co., Ltd	1.5
9	K.K. Oueikikaku	1.5
10	K.K. Taijyu	1.4

PORTFOLIO DIVERSIFICATION[4]

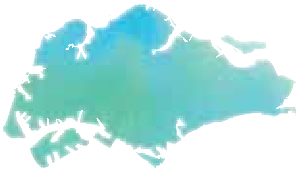
BY ASSET CLASS

HOSPITALS AND MEDICAL CENTRES
60.2%

NURSING HOMES
38.4%

PHARMACEUTICAL PRODUCT DISTRIBUTING AND MANUFACTURING FACILITY
1.4%

BY GEOGRAPHY



Singapore: **59.8%**
Portfolio of 3 strategically-located world-class local private hospitals worth **S$1.16 billion[2]**

DISTINCT FEATURES OF OUR SINGAPORE 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[6], 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)

Japan: **39.8%**
Portfolio of 46 high quality healthcare properties worth **S$692.7 million[2]**

DISTINCT FEATURES OF OUR JAPAN PROPERTIES

FAVOURABLE LEASE STRUCTURE WITH 24 ESTABLISHED LESSEES
- Long-term lease structure with weighted average lease term to expiry of 12.39 years
- "Up-only" Rental Review Provision for most of our nursing homes
- 100% committed occupancy
- Back-up operator arrangements for all our nursing homes provide further rental security

Malaysia: **0.4%**
Portfolio of high-quality healthcare assets worth **S$7.4 million[2]**

DISTINCT FEATURES OF OUR MALAYSIA PROPERTIES

Gleneagles Intan Medical Centre 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 94% occupancy[7] with Gleneagles Kuala Lumpur (A branch of Pantai Medical Centre Sdn. Bhd.), Choizes Concept Store Sdn. Bhd. and KL Stroke & Neuro Clinic Sdn. Bhd. as lessees.

1 As at 31 December 2018
2 Based on latest appraised values as at 31 December 2018
3 Inclusive of weighted average lease term to expiry of new leases signed in 2018, which was 15.71 years and they accounted for 1.5% of portfolio revenue.
4 Based on gross revenue as at 31 December 2018
5 Corresponds to the expiry of initial 15-year term of the master lease agreement ("MLA") of the 3 Singapore hospitals, subject to an option to extend the term for another 15 years based on the terms and conditions of the MLA
6 Except property damage insurance for Parkway East Hospital
7 Excluding car park

FINANCIAL REVIEW

RESILIENT GROWTH IN REVENUE AND NET PROPERTY INCOME

Equity markets underperformed in FY2018, with benchmark indexes such as the STI and S-REIT Index experiencing price declines. PLife REIT was no exception, with its Unit price moving in tandem with the wider market as investors maintained a cautious stance amid wide-ranging uncertainties. Nonetheless, the Group continued to deliver strong growth and earnings in FY2018. Distribution per Unit ("DPU") from recurring operations, excluding the one-off distribution of divestment gains[1], rose 3.4% year-on-year ("y-o-y") to 12.87 Singapore cents, extending its track record of uninterrupted recurring DPU growth since its listing in 2007.

PLife REIT's gross revenue increased 2.7% y-o-y to S$112.8 million in FY2018, an increase of $2.9 million from FY2017. The growth was largely attributed to revenue contribution from the Japan nursing rehabilitation facility acquired in February 2018, higher yielding properties acquired from the asset recycling initiative completed in February 2017 and higher rent from the existing properties, offset by the depreciation of the Japanese Yen ("JPY").

After deducting property expenses of S$7.4 million, the Group recorded a net property income of S$105.4 million in FY2018, which was 2.7% or S$2.8 million higher than FY2017.

As a result of the Manager's proactive capital and financial management efforts, PLife REIT was able to further lower its finance costs for the year under review. Despite the growth of the portfolio, which stood at S$1.86 billion as at 31 December 2018, finance costs[2] decreased by 15.3% in FY2018 largely due to cost savings arising from refinancing initiatives in 4Q FY2017 and FY2018, as well as the depreciation of the JPY.

With a sizeable Japan portfolio of 46 assets contributing close to 40% of the Group revenue, it is important for the Manager to manage the Group's exposure to foreign currency risks. As such, the JPY net income has been fully hedged till 1Q 2023, serving as an effective shield against currency fluctuations. During the year, the Group registered a realised foreign exchange gain amounting to S$0.7 million from the delivery of JPY net income hedges. Furthermore, PLife REIT also manages its foreign currency risk by adopting a natural hedge strategy.

Total operating expenses[3] for the year were S$28.8 million, which represented 2.5% of PLife REIT's net asset value as at the end of the financial year. Tax incurred for the year was S$8.8 million.

On an overall basis, total distributable income to Unitholders for FY2018 declined by 3.5% y-o-y to S$77.9 million, due to the absence of one-off distribution of divestment gain[1]. Excluding the one-off gain, total distributable income to Unitholders from recurring operations increased by 3.4% in FY2018. This translated to a DPU for the year of 12.87 Singapore cents which grew steadily by 103.6% since IPO.

STRONG BALANCE SHEET

Through prudent and pre-emptive capital management measures, PLife REIT continued to maintain its robust financial position in FY2018.

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 had pre-emptively termed out all existing long term debts maturing in FY2019 during the year under review, resulting in no immediate refinancing need till FY2020.

In 1Q 2018, the REIT further expanded its funding source by tapping the capital markets with the issuance of its third series of JPY denominated fixed rate notes amounted to JPY3.5 billion (approximately S$43.4 million[4]) (the "Notes Issue"). As at 31 December 2018, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme which amounted to JPY11.8 billion (approximately S$146.3 million), representing about 20% of the total borrowings of the Group. The successful Notes Issue bore testament to PLife REIT's ability to raise funds at favourable rates from alternative sources.

1 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 (S$0.89 cents) was equally distributed over four quarters in FY2017.

2 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.

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

4 Based on exchange rate of S$1.240 per JPY100 as at 31 December 2018. Unless otherwise stated, all conversions of JPY amounts into S$ in the Financial Review will be based on this exchange rate.

The proceeds of the Notes Issue and the drawdown of a 6-year JPY4.4 billion (approximately S$54.6 million) term loan facility were used to term out the remaining JPY loan due in 2019. In 3Q 2018, PLife REIT has further refinanced the existing SGD loan due in 2019 and termed out the SGD short term loans for another 3 years. With that, the Group has a well-spread out debt maturity profile with no long-term debt refinancing needs till FY2020. The proactive refinancing efforts have helped to maintain PLife REIT's weighted average term to maturity at 2.9 years as at 31 December 2018 compared with 3.1 years a year ago.

For FY2018, the Group achieved a low effective all-in cost of debt of 0.97% per annum and an improved interest cover from 11.3 times to 13.7 times as compared to FY2017. Interest rate exposure remained largely hedged for the next few years.

Gearing remained at an optimal level of 36.1% as at 31 December 2018, within the 45% limit stipulated by the Monetary Authority of Singapore's Property Funds Appendix. This leaves the Group with a debt headroom of S$304.8 million before reaching the 45% gearing limit. With an optimal gearing level and sufficient debt headroom, PLife REIT has the flexibility to capitalise on any compelling investment opportunities for growth.

CASH FLOWS AND LIQUIDITY

PLife REIT wrapped up the year in a net cash position with cash and cash equivalents[5] standing at S$21.8 million, compared to S$25.5 million in FY2017. The decrease in cash and cash equivalents was mainly due to the deployment of funds for the acquisition of the Japan property in 1Q 2018.

Cash inflow from operating activities for FY2018 grew to S$88.4 million from S$80.7 million in FY2017, attributed to the additional operating cash flows from the Japan property acquired in FY2018 and the absence of one-off payment of Japanese withholding tax on the divestment gains in FY2018. The net cash outflow of S$27.8 million for investing activities was mainly due to acquisition of a Japanese nursing rehabilitation facility in 1Q 2018 and payment of capital expenditure on existing properties. Cash used in financing activities was mainly due to payment of distributions to Unitholders offset by the drawdown of long term loan to finance the acquisition in 1Q 2018.

ASSETS UNDER MANAGEMENT

Following the addition of a yield-accretive nursing rehabilitation facility in FY2018, the Group has an enlarged portfolio of 50 quality healthcare and healthcare-related properties in Singapore, Japan and Malaysia valued approximately at S$1.86 billion as at 31 December 2018, up by S$129.5 million from previous year. The increase in investment properties was mainly due to the property acquisition in Japan, capital expenditure of existing assets and appreciation of the JPY. In addition, an annual independent valuation performed for all properties brought about a portfolio revaluation gain of S$77.9 million, an increase of 4.4% in the total portfolio value.

NET ASSET VALUE

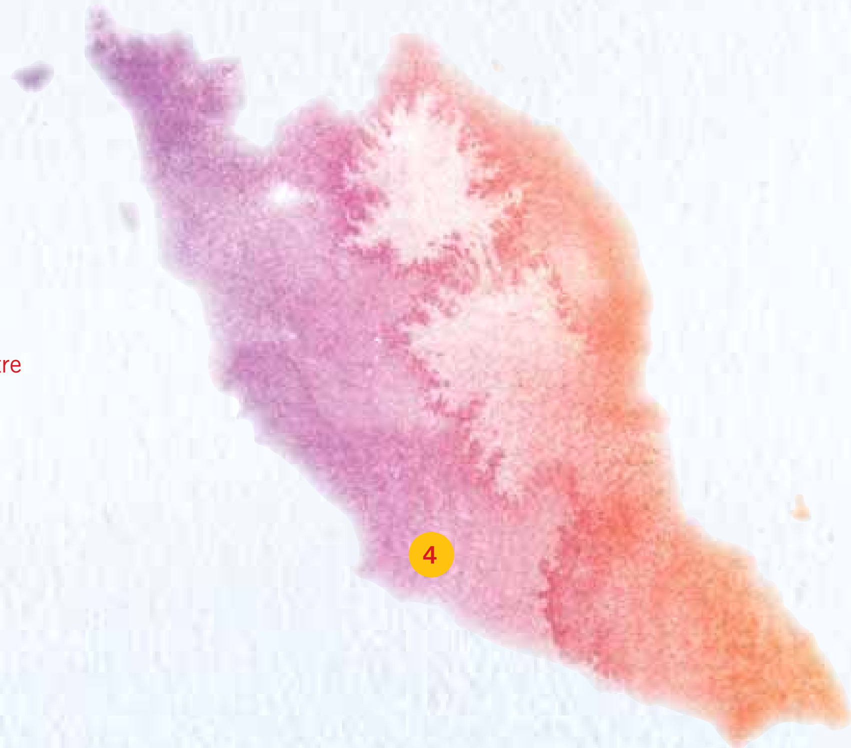
Net asset value as at 31 December 2018 was S$1.88 per Unit, an increase from S$1.76 in 2017.

5 Cash and cash equivalents at the respective year end exclude a cash deposit of JPY21.7 million (approximately S$0.3 million) placed with the Group by a vendor, for the purpose of Rental Income Guarantee.

PORTFOLIO
OUR PROPERTIES

Singapore

1 Mount Elizabeth Hospital
2 Gleneagles Hospital
3 Parkway East Hospital



Malaysia

4 Gleneagles Intan Medical Centre
Kuala Lumpur

	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	258	106	-
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	- Choizes Concept Store Sdn. Bhd. - Gleneagles Kuala Lumpur (A branch of Pantai Medical Centre Sdn. Bhd.) - KL Stroke & Neuro Clinic Sdn. Bhd.
Committed Occupancy[2]	100%	100%	100%	94% (excluding car park)
Gross Revenue (2018)	S$41,826,282	S$21,798,543	S$3,845,971	RM1,559,502
Gross Revenue (2017)	S$41,285,579	S$21,516,750	S$3,562,657	RM1,563,153
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 (as at 31 December 2018)	S$718.7 million	S$378.5 million	S$63.2 million	RM22.38 million (S$7.38 million)[4]
Name of Appraiser(s)	CBRE Pte Ltd	CBRE Pte Ltd	CBRE Pte Ltd	Knight Frank Malaysia Sdn. Bhd.

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 2017 and 2018 remains unchanged

3 Based on the exchange rate at point of acquisition

4 At an exchange rate of S$1.00 : RM3.03

PORTFOLIO OUR PROPERTIES

Japan

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 YAMAGUCHI
- Kikuya Warakuen
- Sanko

3 EHIME
- Sawayaka Niihamakan

4 OKAYAMA
- Sompo no Ie Nakasyo

5 HYOGO
- Palmary Inn Akashi
- Palmary Inn Suma
- Palmary Inn Shin-Kobe

6 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

7 MIE
- Sawayaka Seaside Toba

8 AICHI
- Excellent Tenpaku Garden Hills

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

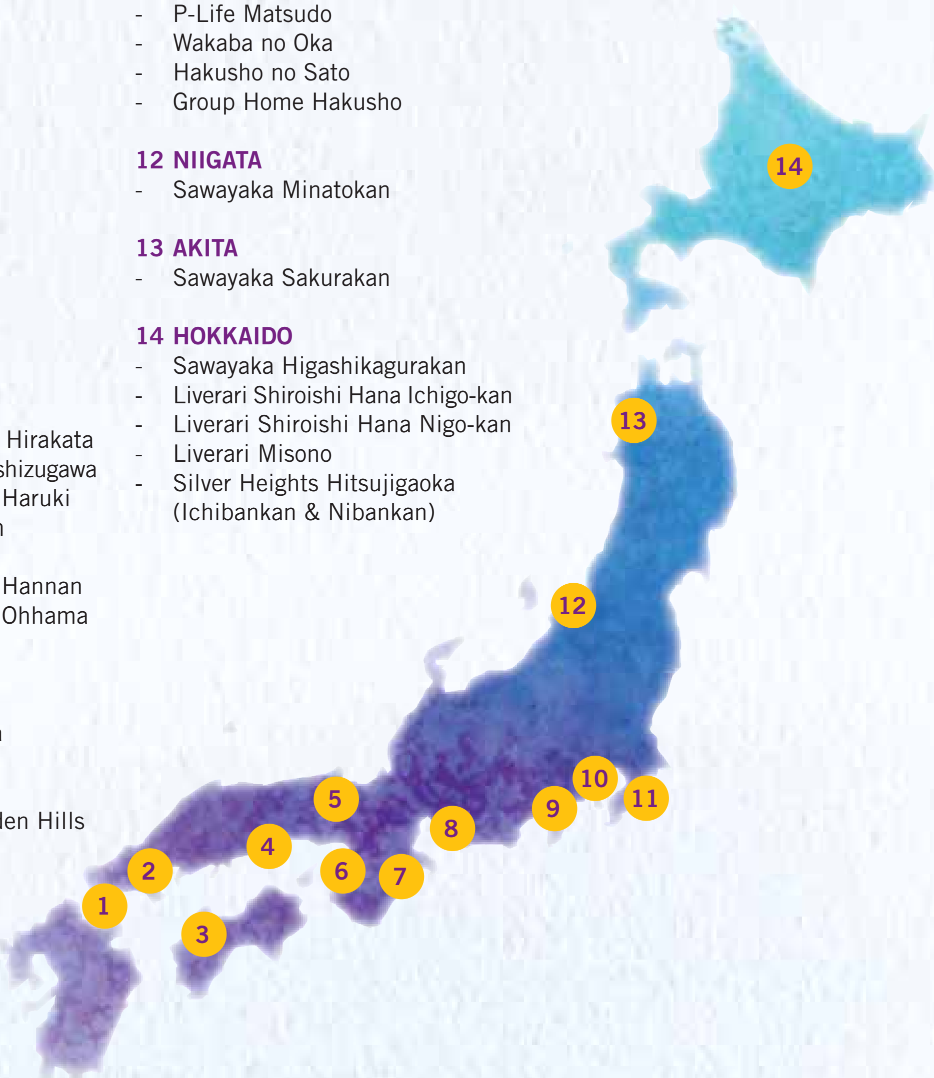
10 SAITAMA
- Smiling Home Medis Musashi Urawa
- Smiling Home Medis Koshigaya Gamo
- As Heim Nakaurawa
- Konosu Nursing Home Kyoseien

11 CHIBA
- Senior Chonaikai Makuhari Kan
- P-Life Matsudo
- Wakaba no Oka
- Hakusho no Sato
- Group Home Hakusho

12 NIIGATA
- Sawayaka Minatokan

13 AKITA
- Sawayaka Sakurakan

14 HOKKAIDO
- Sawayaka Higashikagurakan
- Liverari Shiroishi Hana Ichigo-kan
- Liverari Shiroishi Hana Nigo-kan
- Liverari Misono
- Silver Heights Hitsujigaoka (Ichibankan & Nibankan)






	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 to 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[1]	Asset Co., Ltd	Asset Co., Ltd	Riei Co., Ltd
Committed Occupancy[2]	100%	100%	100%	100%
Gross Revenue (2018)	¥99,695,078	¥113,400,000	¥68,093,940	¥101,496,000
Gross Revenue (2017)	¥98,972,315	¥113,400,000	¥68,089,440	¥101,496,000
Purchase Price[3]	¥1,394 million (S$18.36 million)	¥1,456 million (S$19.62 million)	¥844 million (S$11.37 million)	¥1,403 million (S$18.9 million)
Year of Purchase	2008	2008	2008	2008
Appraised Value[4] (as at 31 December 2018)	¥1,650 million (S$20.46 million)	¥1,770 million (S$21.95 million)	¥1,050 million (S$13.02 million)	¥1,810 million (S$22.44 million)
Name of Appraiser(s)	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	CBRE K.K.

1 On 1 April 2012, Benesse Style Care Co., Ltd merged as the surviving company with Bon Sejour Corporation
2 Committed occupancy of each property for year 2017 and 2018 remains unchanged
3 Based on the exchange rate at point of acquisition
4 At an exchange rate of S$1.00 : JPY80.64

PORTFOLIO
OUR PROPERTIES

	Smiling Home Medis Musashi Urawa	Smiling Home Medis Koshigaya Gamo	Sompo no Ie Nakasyo[5]	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	3,834	3,231	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]	Sompo Care Message Inc.[6]; Shakai Fukushi Houjin Keiyu-Kai	Green Life Co. Ltd[7]
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2018)	¥44,820,000	¥91,260,000	¥49,174,854	¥65,182,428
Gross Revenue (2017)	¥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 2018)	¥795 million (S$9.86 million)	¥1,610 million (S$19.96 million)	¥697 million[8] (S$8.64 million)	¥872 million[8] (S$10.81 million)
Name of Appraiser(s)	CBRE K.K.	CBRE K.K.	Enrix Co., Ltd	Enrix Co., Ltd

1 Committed occupancy of each property for year 2017 and 2018 remains unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY80.64
4 Change of name with effect from 1 May 2013 due to organisational restructuring by GreenLife Co., Ltd, parent company of Medis Corporation
5 Formerly known as Amille Nakasyo
6 Change of name with effect from 7 March 2016 due to acquisition of Message Co. Ltd by Sompo Holdings, Inc.
7 Change of name with effect from 1 May 2013 due to organisational restructuring by GreenLife Co., Ltd, parent company of Care Link Co., Ltd
8 As at 31 December 2018, the property recorded depreciation on revaluation against the corresponding value as at 31 December 2017

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	1,769
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	¥64,799,350	¥47,667,910	¥101,940,528	¥57,409,016
¥33,600,000	¥61,601,616	¥47,124,000	¥101,351,496	¥57,079,992
¥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
¥512 million[8] (S$6.35 million)	¥913 million[8] (S$11.32 million)	¥705 million (S$8.74 million)	¥1,690 million (S$20.96 million)	¥839 million (S$10.40 million)
Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd

PORTFOLIO
OUR PROPERTIES

	Sawayaka Obatake Nibankan	Sawayaka Shinmojikan	Sawayaka Nogatakan	Sawayaka Sakurakan
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	1,047	2,395	2,702	6,276
Floor Area (sq m)	1,538	5,094	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 (2018)	¥28,628,955	¥77,750,316	¥57,639,996	¥73,476,439
Gross Revenue (2017)	¥28,593,388	¥75,639,996	¥57,639,996	¥77,175,731
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 2018)	¥398 million (S$4.94 million)	¥1,050 million (S$13.02 million)	¥803 million (S$9.96 million)	¥893 million (S$11.07 million)
Name of Appraiser(s)	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	CBRE K.K.

1 Committed occupancy of each property for year 2017 and 2018 remains unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY80.64

As Heim Nakaurawa	Fureai no Sono Musashi Nakahara	Sawayaka Fukufukukan	Sawayaka Higashikagurakan	Happy Life Toyonaka
Freehold	Freehold	Freehold	Freehold	Freehold
1,762	935	1,842	4,813	628
2,712	1,847	3,074	5,467	1,254
64	46	72	110	42
4 + 1 (basement)	4	4 + 1 (basement)	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	¥50,449,794	¥81,210,396	¥35,280,000
¥67,200,000	¥52,800,000	¥50,240,004	¥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
¥1,170 million (S$14.51 million)	¥908 million (S$11.26 million)	¥741 million (S$9.19 million)	¥1,040 million (S$12.90 million)	¥535 million (S$6.63 million)
Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	CBRE K.K.	Enrix Co., Ltd

PORTFOLIO
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	2010
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 (2018)	¥99,729,600	¥110,864,400	¥104,488,464	¥52,061,460
Gross Revenue (2017)	¥99,729,600	¥110,643,648	¥104,387,872	¥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 2018)	¥1,620 million (S$20.09 million)	¥1,581 million (S$19.60 million)	¥1,535 million (S$19.03 million)	¥747 million (S$9.26 million)
Name of Appraiser(s)	Enrix Co., Ltd	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

1 Committed occupancy of each property for year 2017 and 2018 remains unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY80.64
4 As at 31 December 2018, the property recorded depreciation on revaluation against the corresponding value as at 31 December 2017

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	¥72,466,632	¥124,000,008	¥51,638,127	¥67,000,117
¥24,799,992	¥72,466,632	¥124,000,008	¥48,999,996	¥67,000,115
¥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
¥323 million[4] (S$4.01 million)	¥1,029 million (S$12.76 million)	¥1,980 million (S$24.55 million)	¥751 million[4] (S$9.31 million)	¥945 million (S$11.72 million)
International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

PORTFOLIO 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	Hakata I: 1984 Hakata II: 1995 Hakata III: 2003	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 (2018)	¥245,000,004	¥134,661,994	¥280,260,744	¥108,000,000
Gross Revenue (2017)	¥245,000,004	¥132,470,968	¥275,996,320	¥107,996,320
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 2018)	¥3,730 million (S$46.25 million)	¥2,014 million (S$24.97 million)	¥4,039 million (S$50.08 million)	¥1,856 million (S$23.01 million)
Name of Appraiser(s)	Enrix Co., Ltd	International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated

1 Committed occupancy of each property for year 2017 and 2018 remains unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY80.64
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 Formerly known as Hana Kitago
8 Formerly known as Hana Kita 13 Jyo
9 Formerly known as Ajisai Misono
10 On 1 April 2017, K.K. Living Platform merged as the surviving company with K.K. Care Products

Liverari Shiroishi Hana Ichigo-kan[7]	Liverari Shiroishi Hana Nigo-kan[8]	Liverari Misono[9]	Silver Heights Hitsujigaoka (Ichibankan & Nibankan)	Wakaba no Oka
				
Freehold	Freehold	Freehold	Freehold	Freehold
628	436	429	5,694	6,574
1,051	747	724	9,013	5,431
48	24	18	123	135
3	3	3	5 to 6	3
2011	1990	1993	Ichibankan: 1987 Nibankan: 1991	1993
Living Platform, Ltd.	Living Platform, Ltd.	Living Platform, Ltd.[10]	K.K. Silver Heights Sapporo	K.K. Taijyu
100%	100%	100%	100%	100%
¥24,000,000	¥12,815,498	¥14,400,000	¥88,770,000	¥129,660,000
¥23,996,320	¥12,255,520	¥14,597,920	¥88,770,000	¥110,021,487
¥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)	¥1,766 million (S$22.06 million)
2015	2015	2015	2016	2017
¥363 million (S$4.50 million)	¥176 million (S$2.18 million)	¥202 million (S$2.50 million)	¥1,180 million (S$14.63 million)	¥2,130 million (S$26.41 million)
International Appraisals Incorporated	International Appraisals Incorporated	International Appraisals Incorporated	CBRE K.K.	CBRE K.K.

PORTFOLIO
OUR PROPERTIES

	Hakusho no Sato	Group Home Hakusho	Kikuya Warakuen	Sanko
Land Tenure	Freehold	Freehold	Freehold	Freehold
Land Area (sq m)	15,706	2,859	4,905	1,680
Floor Area (sq m)	6,959	416	3,641	2,018
Number of Units (Rooms)	124	9	70	53
Number of Storeys	3	2	2 to 4	3
Year of Completion	1986	2004	Main Building 1: 1964 Main Building 2: 2004	2011
Name of Lessee (s)	K.K. Hakusho	K.K. Hakusho	K.K. M.C.S.	K.K. M.C.S.
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2018)	¥119,684,491	¥8,000,004	¥60,763,755	¥38,715,992
Gross Revenue (2017)	¥101,560,195	¥6,827,518	¥51,217,256	¥32,713,229
Purchase Price[2]	¥1,607 million (S$20.07 million)	¥105 million (S$1.31 million)	¥781 million (S$9.75 million)	¥500 million (S$6.25 million)
Year of Purchase	2017	2017	2017	2017
Appraised Value[3] (as at 31 December 2018)	¥1,680 million (S$20.83 million)	¥106 million (S$1.31 million)	¥852 million (S$10.56 million)	¥547 million (S$6.78 million)
Name of Appraiser(s)	CBRE K.K.	CBRE K.K.	CBRE K.K.	CBRE K.K.

1 Committed occupancy of each property for year 2017 and 2018 remains unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY80.64

Konosu Nursing Home Kyoseien	P-Life Matsudo
	
Freehold	Freehold
8,715	8,450
5,634	3,240
120	NA
5	2
2015	2005; Additional works were completed in 2007
Iryouhoujin Shadan Kouaikai	Alere Medical Co., Ltd
100%	100%
¥100,453,756	¥133,176,024
NA	¥133,174,053
¥1,500 million (S$17.80 million)	¥2,590 million (S$34.19 million)
2018	2008
¥1,660 million (S$20.58 million)	¥2,370 million (S$29.39 million)
Enrix Co., Ltd	CBRE K.K.

INVESTOR RELATIONS

ACTIVE DIALOGUE WITH THE INVESTMENT COMMUNITY

Parkway Trust Management Limited, as the Manager of PLife REIT ("Manager"), is committed to upholding high standards in accountability and disclosure. This is critical to the long-term sustainability of our business and value creation for all stakeholders. We seek to go above and beyond to ensure that all necessary information is provided in a clear, concise and accurate manner, for investors to make well-informed decisions.

This includes fostering strong relationships with all Unitholders as well as the wider financial and investment communities by engaging them in regular and transparent communications. Throughout the financial year, the Manager has proactively reached out to existing and potential investors, analysts, media and Unitholders through various communications channels and programmes such as the corporate website, corporate announcements, general meetings and outreach activities.

CORPORATE WEBSITE

PLife REIT's corporate website (www.plifereit.com) allows for easy access to comprehensive up-to-date 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. Beyond providing insights into its growth strategy and latest developments, the Manager also actively encourages Unitholders to provide feedback or submit their enquiries via the corporate website.

CORPORATE LITERATURE

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

ANNUAL GENERAL MEETING

Each year, PLife REIT holds its Annual General Meeting ("AGM") in April in Singapore. Extraordinary General Meetings ("EGM") may also be held, when relevant, to discuss specific issues. AGMs and EGMs serve as platforms for all Unitholders to interact with the Board of Directors and management of the REIT Manager, as well as to decide on proposed resolutions. These meetings also allow the Manager to share with the Unitholders the strategic direction of the REIT and for the Board of Directors and management to address Unitholders' questions or concerns.

INVESTOR OUTREACH PROGRAMME

The Manager is committed to engaging investors and analysts on a regular basis as part of its outreach programme with the investment community. Through media platforms, the REIT also seeks to inform and articulate its strategies and plans to the general public. Periodically, the Manager may arrange site visits to the REIT's key properties to help investors, analysts and the media better understand its portfolio.

The Manager holds regular face-to-face meetings with key investors, participates in investment or industry conferences, analyst briefings and organises non-deal roadshows in key financial centres. Some of the key investor relations activities conducted in year 2018 are listed in the table:

Key Events/IR Activities in FY2018	
1st Quarter	One-on-one Investors' Meetings
2nd Quarter	One-on-one Investors' Meetings Annual General Meeting SGX-DBSV Singapore Corporate Day (New York) Citi's Asia Pacific Property Conference (Hong Kong)
3rd Quarter	One-on-one Investors' Meetings
4th Quarter	One-on-one Investors' Meetings UBS Global Real Estate CEO/CFO Conference (London)

REGULAR NEWS AND MEDIA RELATIONS

The Manager is committed to engaging investors and analysts on a regular basis as part of its outreach programme with the investment community. Including the varied communication channels, the Manager was able to effectively reach out to both its existing and new investors to raise awareness and interests in PLife REIT.

Following an interview with The Edge[1], the journalist reported that PLife REIT is the "largest and most investable healthcare REIT on the Singapore Exchange – and arguably in Asia" and its lower yield is a testament to investor demand. PLife REIT also publishes news releases on its corporate developments and financial results and these are regularly picked up by regional and local press, effectively allowing PLife REIT to reach out to the wider community.

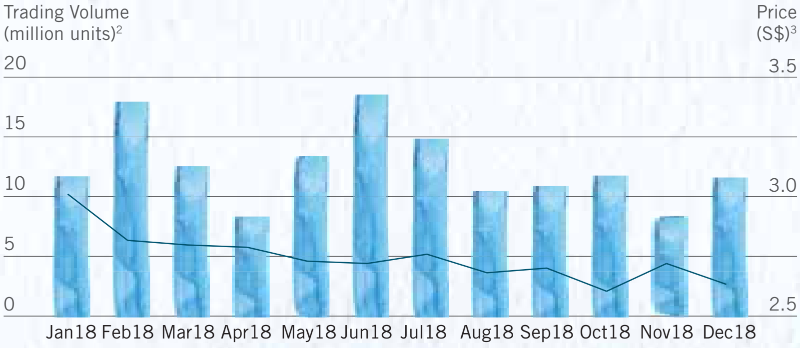
The Manager will continue to build on its communication efforts to deepen stakeholders' understanding of the REIT and its strategy for growth.

ANALYST COVERAGE

The following brokerage houses provide research coverage on PLife REIT as of 31 December 2018:

- CGS-CIMB Research
- Citi Investment Research
- DBS Group Research
- UOB Kay Hian Research

PLIFE REIT MONTHLY TRADING PERFORMANCE IN FY2018



Source: Bloomberg

PLIFE REIT UNIT PRICE PERFORMANCE IN FY2017 AND FY2018

	FY2017	FY2018
Opening Price (S$)	2.39	2.98
Closing Price (S$)	2.99	2.63
High (S$)	2.99	3.03
Low (S$)	2.37	2.57
Trading volume (million units)[4]	178.18	151.04
% of S-REIT Trading Volume	0.71%	0.55%
Market Capitalisation (S$'million)[5]	1,808.96	1,591.16

1 Warden, G. (2018, September 3). Limited healthcare options make Parkway Life REIT the most investable despite low yields. The Edge, p. 22-23.

2 Sum of trading volume in the respective months

3 Based on the closing price at the end of the month

4 Total trading volume for the respective financial year

5 Based on last trading price of the respective financial year

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board of Directors ("the Board") of Parkway Trust Management Limited, the Manager of Parkway Life Real Estate Investment Trust ("PLife REIT" or "the REIT"), is pleased to present its annual Sustainability Report.

Sustainability plays an integral role in PLife REIT's operations. The Board and management of the Manager are committed to sustainability and believe that incorporating sustainability considerations and practices across our portfolio will not only enhance the performance of the REIT but also create value for our stakeholders and the society in the long run. For this reason, we aim to continually monitor and manage any potential risks or opportunities in the areas of Environmental, Social and Governance ("ESG") as we progress on our sustainability journey.

The Manager holds itself to high standards when managing the activities of the REIT and its employees. We are charged with the responsibility management of our investments, our own people's well-being and compliance with regulation. The Board continues to oversee the development of the sustainability report. This includes selection of the material ESG factors and setting of performance measures and targets. The sustainability report is aligned to the Singapore Exchange (SGX); SGX-ST Listing Rules 711A and 711B and references the Global Reporting Initiative Standards (2016).

SUSTAINABILITY AND PARKWAY LIFE REIT

PLife REIT is one of Asia's largest listed healthcare REITs by asset size. PLife REIT invests in income-producing real estate and real estate-related assets that are used primarily for healthcare and healthcare-related purposes. As the Manager of the REIT, we consciously ensure that sustainability is taken into consideration when charting our business strategies and operations. Consistent with our prudent risk management procedures, we also strive to identify and manage ESG risks in order to build a resilient portfolio with sustainable future.

The REIT's Singapore hospitals are leased out on master lease arrangement to the subsidiary of IHH Healthcare Berhad ("IHH"), wherein IHH is the ultimate holding company of the Manager; and properties in Japan are leased out to various registered care home operators. To achieve sustainability at the property level, we work closely with the operators to support them in improving and contributing to an elevated level of sustainability performance.

As an externally managed REIT, the skills and experience possessed by the workforce of the Manager are critical aspects to PLife REIT's operations. We view human capital as a key contributing factor towards sustainable growth of the REIT. Accordingly, time and effort are dedicated to foster relationships with the employees, ensuring attention to well-being and appreciation of the value employees create as part of the Manager's team.

This year, we have performed review of the material ESG factors identified last year and determined that these factors remain our most relevant ESG focus areas. In our maiden sustainability report last year, we have identified areas to improve in our management processes and have proactively incorporated initiatives into our business operations such as assessing operators' sustainability needs in our annual capital expenditure planning and assessment. We have also continued to uphold ethical and thoughtful operating practices and measure our performance in our selected focus areas.

ABOUT THIS REPORT

The publication of sustainability report is a testament to our commitment to transparency. The sustainability report details PLife REIT's approach to sustainability and how we practise sustainability both within the Manager and through our various partners at the assets. We report on sustainability once every year, covering the period from 1 January to 31 December.

This report is based on the financial year ended 31 December 2018 and is in compliance with the requirements of SGX-ST Listing Rules 711A and 711B. The report is with reference to the Global Reporting Initiative ("GRI") Standards (2016), one of the most commonly-used practice guides for sustainability reporting. This report references the following topic-specific disclosures:

- Disclosure 401-1 from GRI 401: Employment 2016
- Disclosure 404-1 and 404-3 from GRI 404: Training and Education 2016
- Disclosure 414-1 from GRI 414: New operators that were screened using social criteria
- Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016
- Disclosure FS10 from the G4 Financial Services Sector disclosures - Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

REPORTING SCOPE

This report covers PLife REIT's well-diversified portfolio of 50 properties as at 31 December 2018, located in Singapore, Japan and Malaysia. In Singapore, it owns the largest portfolio of strategically-located private hospitals comprising Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital. In Japan, it has 45 high quality nursing home and care facility properties in various prefectures of Japan as well as one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture. It also owns strata-titled units/lots at Gleneagles Intan Medical Centre, Kuala Lumpur in Malaysia.

The sustainability report focuses primarily on the activities of PLife REIT and the Manager. As PLife REIT is not a property operator, the focus is on creating a positive influence for operators in the areas of ESG rather than the operations at the properties themselves.

FEEDBACK

We welcome your feedback to assist us in the continual improvement in our sustainability journey. Please direct any enquiries, comments or feedback on both our sustainability performance and sustainability report to contact@plifereit.com.

SUSTAINBILITY GOVERNANCE

In 2017, the Manager has established a Sustainability Steering Committee ("SSC"), which is responsible for guiding the sustainability approach and activities on the REIT and Manager. This team includes the senior management of the Manager in order to set the tone of sustainability from the top and integrate sustainability into management decisions. The SSC supports the Board and is in turn supported by the Sustainability Task Force ("STF") which includes representatives from Investment, Asset Management, Compliance and Legal, and Finance. During the year, the SSC and STF have met regularly to discharge their responsibilities.

The role of the SSC and STF are set out below:

- SSC provides an oversight in terms of the direction and management of sustainability within the REIT. It is also responsible for communicating the performance directly to the Board.
- STF is responsible for developing, implementing and maintaining sustainability related practices and initiatives and monitoring the REIT's sustainability performance.

SUSTAINABILITY REPORT

ASSESSMENT OF OUR MATERIAL ESG FACTORS

Over the course of 2017, the Management carried out a materiality assessment in order to identify the sustainability factors most material to us. We were supported in this process by an external consultant and the process followed the GRI Materiality and Stakeholder Engagement Reporting Principles. REIT management was the key focus in the assessment and accordingly, its relevant sustainability related risks and opportunities were identified. In addition, global sustainability trends and peer reports were examined to gain sustainability context. As well as looking at the business activities themselves, we have considered our stakeholders concerns and needs. The results of the assessment were presented and reported to the Board. This year, we have re-evaluated the sustainability factors identified last year and determined that these remain the most material factors for us. Therefore, we continue to focus our sustainability efforts on these areas and this report describes our management, performance and targets across those material sustainability factors.

STAKEHOLDER ENGAGEMENT

Our stakeholders' concerns and opinions shape the work that we do and the way that we operate. Our interactions with our stakeholders are regular and take on a number of different forms. This way, we know our stakeholders well and, therefore, we are able to identify their sustainability priorities and consider them whilst making all business related decisions. These interactions are described below:

Stakeholders	Engagement methods
Unitholders and prospective investors	• Corporate website • Corporate literature • Annual general meeting • Investor outreach programme • News and Media
Employees	• Performance appraisal • Company staff bonding • Corporate retreat
Tenants / Operators	• Regular site visit • Established channels of communication on property-related issues, such as dedicated asset manager to each property • Operator satisfaction survey
Community	• Corporate social responsibility event • Donation to charity event

Our material sustainability factors remain to be:

Category	Material Sustainability Factors
Economic	1. Economic Performance
Social	2. Talent Retention
Governance	Investment & Asset Management 3. Operator Sustainability (Social) Performance 4. Active Ownership/Capital Expenditure ("CAPEX") Investments 5. Regulatory Compliance

These factors will be outlined in our sustainability report, except for Economic Performance. Economic Performance is key to the success of the REIT and our practices and performance in this area are detailed in the financial statements. Please refer to pages 85 to 172 for more details.

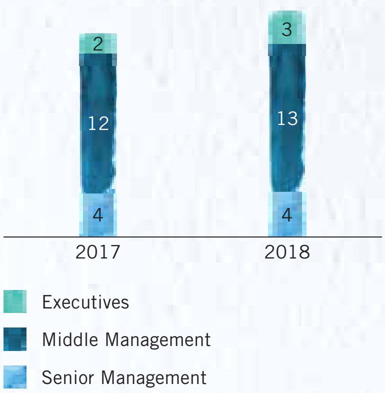
TALENT RETENTION

Our employees possess a great deal of specialised skills, knowledge and experience. Their experience is specific to the industry and their knowledge is valuable to the Manager. For this reason, retention of staff is vital for a good performance at the REIT. A diverse staff base brings differing ideas and perspectives that help to contribute to the success of PLife REIT. As a high turnover can be disruptive, the Manager is continually investing in building employee satisfaction, well-being and loyalty in order to retain valuable talent. We achieve this in a variety of ways including investing in training and personal development.

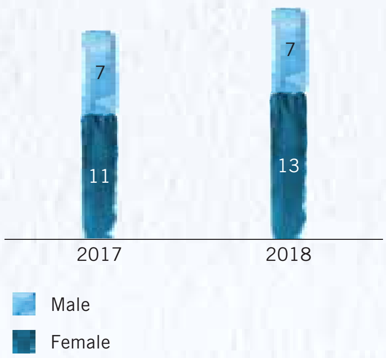
We believe an employee's journey involves personal motivation and accountability from both the employee and the employer. We will continue to develop existing succession planning and career development frameworks and, setting clear and established career pathways, while establishing robust business continuity plans to ensure the sustainability of PLife REIT.

The Manager has expanded its employee base from 18 in 2017 to 20 by 31 December 2018. During the year, the Manager has also replaced 2 departed employees resulting in a total of 4 new hires. Most employees are aged between 30 – 50 years-old, of which about 65% are females and 35% are males. The average tenure of the employee is approximately 7.4 years and 70% of the employees have been with the Manager for more than 5 years. As we do not have overseas office, all our employees are permanent and based locally.

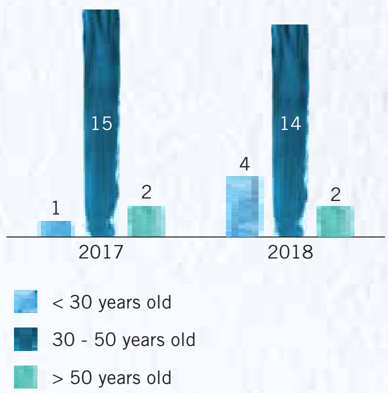
STAFF DIVERSITY
(by type)



STAFF DIVERSITY
(by gender)



STAFF DIVERSITY
(by age)



Policies and Guides	2018 Performance	2019 Target
• Employee handbook with details on Manager's human resource policies	• Target met – 100% of employees met all mandatory training requirements for their role	• 100% of employees continue to meet all mandatory training requirements for their role

SUSTAINABILITY REPORT

EMPLOYEE WELL-BEING

Employee well-being is another area in which the Manager focuses in order to provide a working environment that attracts and retains the right talent. The PLifeCARES Committee is tasked to organise quarterly employee bonding activities including educational talks, sports activities and festive celebrations. To encourage further employees' interaction outside office environment, the Manager organises corporate retreats for employees to relax and recharge.

The Manager conducts a benchmarking exercise from time to time to ensure that employees are paid-to-market and we also have a long-term incentive plan for retention of key personnel in place. We ensure that salary adjustments are based on performance and we actively promote a conducive family-like working environment.

We believe that transparency is essential for expectation alignment and a more content workforce. Therefore, the employee handbook clearly states what is required of employees through various policies and practices such as the Code of Conduct, Collective Agreements and Grievance procedures. It also details employees' welfare entitlements, including leave, health benefits, insurance and etc.

COMMUNITY OUTREACH

The Manager endeavours to contribute positively to the local community in need. To this end, the Corporate Social Responsibility ("CSR") Committee was set up and it is tasked to plan and execute community events on a regular basis.

As part of the CSR initiative this year, we have partnered with Care Community Services Society to be one of the corporate sponsors for their inaugural charity movie event at Golden Village Great World City. The proceeds from the charity event will be used to fund programmes and services that support over 1,300 beneficiaries that includes vulnerable children, youth-at-risk, low-income elderly and ex-offenders and their families.

LEARNING AND DEVELOPMENT

We aim to build a strong and competent professional team to drive the goal toward the success of the REIT. To invest in our human capital, the Manager sets aside sufficient training budget and encourages employees to attend training to keep abreast of the latest changes in the industry and acquire new skills and knowledge relevant to REIT management.

New employees are required to attend the New Employee Orientation which inculcates them with the organisation's mission, vision and values. An overview of the Hospital/Corporate Structure, Employee Self-Service System and Human Resource ("HR") processes are introduced by the respective HR Business Partners. As part of the orientation, employees are also introduced to the Employee Handbook that details the various learning and development policies, procedures and entitlements for each employee.

All permanent employees undergo an annual performance review. Performance appraisals are two-way and employees are encouraged to provide feedback to management. This review is important for employees to understand how they are performing in order to improve in the areas needed, as well as to discuss training and development needs.

There are also mandatory trainings needed for employees of the Manager who are appointed representatives in pursuant to the Capital Markets Services ("CMS") Licence issued by the Monetary Authority of Singapore. Employees must keep updated on developments in the industry and, therefore, we have developed a policy on training requirements for appointed CMS representatives. We also maintain a training register to keep track of the trainings and seminars attended by all employees. In 2018, the average training hours per employee was approximately 19 hours.

INVESTMENT & ASSET MANAGEMENT

The investment and asset management decisions and activities will be crucial in driving the growth of the REIT. Therefore formulating and executing the investment and asset management strategic plans will be important to deliver long term sustainable returns for PLife REIT. There are several policies and practices put in place to ensure the acquisitions, divestments and asset management activities are carried out in accordance with our strategic direction and with the proper level of due diligence. For the evaluation of new investments, we will ensure the acquisitions fulfil the REIT's investment criteria and considerations. The evaluation procedure and process will be governed by the internal investment guideline and the Manager's Operating Policy – Investment / Divestment ("Operating Policy"). The Operating Policy ensures the acquisition / divestment is in compliance with the relevant regulatory requirements and in line with the investment / divestment objectives of the REIT. In 2018, PLife REIT has completed the acquisition of an elderly nursing rehabilitation facility in Japan, which is in compliance with the Operating Policy. We continue to actively assess our assets and operators post-acquisition.

Material Factor	Policies and Guides	2018 Performance	2019 Target
• Operator sustainability (social) performance	• Operating Policy • Building Lease Agreement	• Target met – 100% of our new acquisitions in the last 12 months were screened following the Operating Policy	• 100% of our new acquisitions to be screened following the Operating Policy

Material Factor	Policies and Guides	2018 Performance	2019 Target
• Active ownership/ capital expenditure ("CAPEX") investments	• Operating Policy on Asset Management	• Target met – 100% of our assets have a 10-year CAPEX projection in place • Target met – 100% of our assets were checked for enhancement opportunities in the last year	• 100% of our assets to have a 10-year CAPEX projection • 100% of our assets to be regularly checked for enhancement opportunities

SUSTAINABILITY REPORT

OPERATOR SUSTAINABILITY (SOCIAL) PERFORMANCE

As part of the evaluation and due diligence process of the acquisition of new aged care properties, background research and assessment of the operator will be important to establish the better knowledge and understanding of the party the REIT will be working with for the next 10 to 20 years. On top of the independent credit and financial evaluation of the business operation of the aged care operators, due diligence checks are carried out to ensure all the relevant licenses are in place, up to date and in compliance with the local regulatory requirements. The operator's operational history and management background and the credit and financial assessment of the operator's business profitability are further clarified and checked via information provided by the local asset managers, consultants and vendors in the assessment of their financial, regulatory and social performance.

After acquisitions, constant communication with the operators and asset managers via regular site visits and periodic reporting (occupancy and financial performance) allow the Manager to ensure good maintenance and management of the properties. All operators must abide by the agreements in their lease, which includes a non-anti-social clause preventing operators from engaging in anti-social activities. In addition, the Manager also conducts annual credit assessment as well as tenant/operator satisfaction surveys which serves to minimise any unexpected operational, financial or social issues.

OCEAN VIEW SHONAN ARASAKI AEI (2018)

Replacement of existing air conditioning system to energy efficient multi split packaged air conditioning units and conversion of existing lighting system to full energy efficient LED system. As a Green and Sustainable initiative, the LED system together with the new air conditioning system will reduce the long run maintenance costs resulting in overall cost savings with reduced energy consumption.

ACTIVE OWNERSHIP/CAPITAL EXPENDITURE ("CAPEX") INVESTMENTS

Although we work closely with our operators, the day-to-day running of the assets is within their control. We can further support them through asset enhancement initiatives. Real estate assets need regular maintenance as well as updates to sustain the use and value of the property in the long run. These maintenance and update plans are stated in a 10-year CAPEX projection which is completed for each and every one of our assets. Our CAPEX plans are developed based on the needs of the properties and the operators in them and, as of 2018, we now include an assessment of the environmental, social and governance needs. Operators are consulted and recommendations are made throughout this process. Ad-hoc asset enhancement also occurs as and when it is needed and these enhancements may be driven by a sustainability need. Some recent asset enhancement initiatives ("AEI") include installation of energy efficient equipment at our properties.

We also looked into CAPEX investments to enhance the safety, reliability and environmental sustainability of properties, such as:

- New energy efficient chiller installed at Mount Elizabeth Hospital
- Discussion with hospital operator to consider using bio-degradable oil for transformers
- Explore Green Mark initiatives with hospital operator

Some recent asset enhancement initiatives include installation of energy efficient equipment and refurbishing older properties to enhance the image and performance of the assets.

REGULATORY COMPLIANCE

As a REIT and REIT Manager, we are subject to numerous laws and regulations. Compliance with these is essential and breaches could lead to loss of our operating licence. In addition, a breach could cause reputational damage and will lead to a loss of trust in the Manager from stakeholders such as the Board of Directors, Unitholders, regulators and employees.

Being in the healthcare industry, there are also regulations that affect the operations at our properties. Any failures in this area in health and safety issues will call into question the integrity of the Manager and their ability to operate in an ethical way.

The Manager has a strong commitment to good corporate governance and regulatory. Compliance for PLife REIT generally covers the following areas:

- Compliance with Capital Markets License for Real Estate Investment Trust Management, administered under the Securities and Futures Act
- Compliance with Anti-corruption and Anti-Money Laundering regulation
- Compliance with Data Protection
- Compliance with health and safety regulations of our properties

2018 Performance	2019 Target
• Target met – Zero incident of significant[1] fines and non-monetary sanctions against PLife REIT and the Manager	• Zero incident of significant[1] fines and non-monetary sanctions against PLife REIT and the Manager

CORPORATE POLICIES

A number of policies help to avoid any incidents of non-compliance. These include:

Corporate Policies	Objective of policy
Conflict of Interest policy	To establish guidelines on avoidance and prohibition of relationship of vested interest between chief executive officer, executive director or employees and the concerned party where conflict of interest may arise.
Regulatory and Compliance Breach policy	To provide guidance to all employees of the Manager with regard to the policies and procedures in relation to management and reporting of regulatory and compliance breaches.
Compliance Manual and Policies for appointed representatives of the Manager	To provide summary of legal and regulatory obligations applicable to the Manager.
Gift & Entertainment policy	To provide guidelines to employees on the proper manner and procedure to process, approve or reject offers of gifts (including sponsorship and entertainment) from external parties, so as to safeguard the interests of employees and the Manager. To provide guidance to employees to address any conflict and to act in the Unitholder's best interests.
PDPA Policy	The Manager is required to comply with the Personal Data Protection Act 2012 ("PDPA"). The objective of this policy is to provide guidance to the employees of the Manager on the application of the PDPA.
Fraud & Whistle blowing policy	To provide a channel for stakeholders to report concerns on improprieties in financial reporting, professional misconduct, irregularities or non-compliance with laws and regulations applicable to the Manager.
Policy on Dealing in Securities	To provide guidance on dealings in PLife REIT units by directors, officers and employees of the Manager.

1 Significant shall mean more than 1% of the Profit Before Tax of PLife REIT and the Manager respectively

SUSTAINABILITY REPORT

Policies are one method for safeguarding our corporate compliance, but it is important that the Manager's employees are educated on and understand the regulatory environment. A combination of briefings and self-declarations keep them updated on changes and developments. These involve a briefing on the internal policies they must adhere to which is part of the new employee orientation. Training on Anti-Money Laundering is provided to the employees once every two years and Regulatory Compliance Training is provided to the appointed representatives of the Manager once a year. The Manager also ensures compliance with the laws and regulations applicable to the REIT management, which includes the Code on Collective Investment Schemes issued by Monetary Authority of Singapore ("MAS"), the listing manual of the SGX-ST, the CMS licence issued by MAS, the tax ruling issued by the Inland Revenue Authority of Singapore on taxation of the REIT and its Unitholders, and the Singapore Code of Corporate Governance (please see page 59 for more details on the Manager's Corporate Governance Statement).

The Manager fosters a working environment where employees can act appropriately, without fear of retaliation in order to further commit to the values of integrity and ethical behaviour.

AT OUR PROPERTIES

PLife REIT places strong emphasis on the safety features of its properties. There is regular maintenance and repairs of facilities and equipment, for which PLife REIT (as Lessor) is responsible for. In addition, initial and regular confirmation of the validity of operators' licenses and JCI accreditation for hospitals as well as the submission of property reports by care home operators to ensure that regular maintenance and inspections as required by regulatory agencies are being carried out by the tenants/ operators for their respective properties. These include fire safety, health & safety and lift and building safety.

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 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 ("**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 ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Code on Collective Investment Schemes ("**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.

CORPORATE GOVERNANCE

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 ("**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.

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, nomination of directors 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.

The number of Board and Board committee meetings during the financial year ended 31 December 2018 ("**FY2018**"), as well as the attendance of each Board member at these meetings, are set out below.

Director	Board Meetings	Audit Committee Meetings	Nominating and Remuneration Committee Meetings
Mr. Ho Kian Guan	4	4	-
Dr. Jennifer Lee Gek Choo	4	4	1
Ms. Cheah Sui Ling	4	4	1
Dr. Tan See Leng	4	-	1
Dr. Lim Suet Wun	4	-	-
Ms. Rossana Annizah Binti Ahmad Rashid	3	-	-
Mr. Low Soon Teck	4	-	-
Mr. Yong Yean Chau	4	-	-
No. of Meetings held in FY2018	4	4	1

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 FY2018, the Board was updated on the Japan Debt Markets, Japan Healthcare REIT Markets, Market Study on Japan Healthcare Industry, and Key Changes of the Singapore Corporate Governance Code 2018.

BOARD COMPOSITION AND GUIDANCE

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

The Board presently consists of eight members, seven of whom are non-executive directors (including three independent directors). The Chairman of the Board is Mr. Ho Kian Guan. 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. Ho Kian Guan	Chairman and Independent Director	Member	-
Dr. Jennifer Lee Gek Choo	Independent Director	Member	Chairman
Ms. Cheah Sui Ling	Independent Director	Chairman	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	-	-

CORPORATE GOVERNANCE

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

1. the Chairman of the Board and Chief Executive Officer ("**CEO**") 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. Ho Kian Guan, Dr. Jennifer Lee Gek Choo and Ms. Cheah Sui Ling. None of the independent directors has served beyond nine years on the Board.

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. Further, additional independence requirements were imposed under regulations 13D to 13H of the Securities and Futures (Licensing and Conduct of Business) Regulations effective since 8 October 2018 ("**SFLCB Regulations**"). Under the SFLCB Regulations, a director is considered to be independent if the director (i) is independent from the management of the Manager and PLife REIT; (ii) is independent from any business relationship with the Manager and PLife REIT; (iii) is independent from every substantial shareholder of the Manager and every substantial Unitholder of PLife REIT; (iv) is not a substantial shareholder of the Manager or a substantial Unitholder of PLife REIT; and (v) has not served as a director on the Board for a continuous period of 9 years or longer. The Chairman of the Board also cannot be an executive director or a person who is a member of the immediate family of the CEO.

The NRC has conducted an annual review of the directors' independence taking into consideration the independence criterion given in the CG Code and the SFLCB Regulations. The NRC considered and confirmed that Mr. Ho Kian Guan, Dr. Jennifer Lee Gek Choo and Ms. Cheah Sui Ling are independent as they have each 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. Based on the review and recommendation of the NRC, the Board concurred that Mr. Ho, Dr. Lee and Ms. Cheah are considered independent.

The Board has not appointed a lead independent director in view that the CG Code requirement to appoint one arises where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director. The Chairman and the CEO of the Manager are separately held by two persons, who are not immediate family members, and the Chairman is an independent director who is not part of the management team, as described under section of "Chairman and CEO" below. In light of the foregoing, the Board is not required to have independent directors to make up at least half of the Board as guided under the CG Code.

NON-EXECUTIVE DIRECTORS

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

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 CEO described below, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate the business activities of the Manager. The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and is of the appropriate size.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The positions of Chairman and CEO 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. Ho Kian Guan is an independent director. The CEO is Mr. Yong Yean Chau who is also an executive director of the Manager. The Chairman and the CEO 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 CEO. 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 Chairman also ensures effective communication with the Unitholders and takes a leading role in promoting high standards of corporate governance with support of the Board and the management.

The CEO 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. 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. No new director was appointed to the Board during FY2018.

As the Manager is not a listed company, directors of the Manager are not subject to periodic retirement by rotation. Pursuant to an undertaking given by Parkway Holdings Limited to the Trustee on 16 March 2017 ("**Undertaking**"), Unitholders are given the right to endorse the appointment of the directors of the Manager by way of ordinary resolution at the annual general meetings ("**AGM**") of Unitholders. Accordingly, one-third of the directors of the Manager were put forth for Unitholders' endorsement of appointment during PLife REIT's AGM since 2017.

CORPORATE GOVERNANCE

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 appointed three female directors, each in year 2015, 2016 and 2017, which has since improved the gender diversity of the Board to more than one-third.

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. The Board assessed the effectiveness and performance of the Board and its Board Committees on an annual basis.

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 and the Board committees. 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. The Board has not engaged any external facilitator to facilitate the assessment. Each of the directors are required to complete a questionnaire evaluating the Board and the Board committees for the financial year under review. A summary of the feedbacks and recommendations from the directors was 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.

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 CEO/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 CEO/executive director and the key management personnel is reviewed by the NRC on an annual basis based on the financial and non-financial key performance indicators ("**KPIs**") linked to the performance of PLife REIT for the financial year under review, and individual performance of each of the CEO/executive director and key management personnel in contribution to the long-term strategic goals of PLife REIT and the Manager.

The remuneration for the CEO/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 which include financial and non-financial KPIs such as distributable income of PLife REIT, analyst coverage, tenant satisfaction, retention of key staffs and regulatory compliance ("**Performance Criteria**"). The Performance Criteria and its target were approved by the Board prior to each financial year. 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. 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 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 CEO/executive director does not receive any director's fee. None of the directors was involved in any decisions concerning their own remuneration.

CORPORATE GOVERNANCE

The director's remuneration of the following non-executive directors for the FY2018 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. Ho Kian Guan	100	-	-	-	-	-	-	94,500
Dr. Jennifer Lee Gek Choo	100	-	-	-	-	-	-	73,500
Ms. Cheah Sui Ling	100	-	-	-	-	-	-	73,500
Dr. Tan See Leng[1]	100	-	-	-	-	-	-	47,250
Dr. Lim Suet Wun[1]	100	-	-	-	-	-	-	47,250
Ms. Rossana Annizah Binti Ahmad Rashid	100	-	-	-	-	-	-	47,250
Mr. Low Soon Teck[1]	100	-	-	-	-	-	-	47,250

1 Director's fees are paid to Parkway Group Healthcare Pte. Ltd.

The Board has assessed and decided against the disclosure of (a) the breakdown (in percentage or dollar terms) of the CEO/executive director'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 CEO), on a named basis whether in exact quantum or in bands of S$250,000, for the following reasons:

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

2. The Manager is of the view that disclosure of specific remuneration information may give rise to recruitment and talent retention issues in light of the 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 on page 149 of this Annual Report.

The Manager does not consider it prejudicial to Unitholders' interests if the remuneration of the CEO/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 CEO/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 FY2018, there were no termination, retirement and post-employment benefits granted to directors, the CEO/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 CEO/executive director and the key management personnel.

No employee of the Manager was an immediate family member of a director and CEO/executive director and whose remuneration exceeded S$50,000 during the FY2018. "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 Ms. Cheah Sui Ling, both of whom are non-executive and independent directors, and Dr. Tan See Leng, a non-executive director. The NRC members meet, at least once every year to deliberate the remuneration matters and matters relating to Board members' appointment and succession, Board performance evaluation and directors' independence.

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.

CORPORATE GOVERNANCE

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

The system of risk management is embedded in the internal control system of the Manager to address on-going changes and challenges and to reduce uncertainties to PLife REIT. The ERM Committee, assisted by the external risk consultant, will ensure the adequacy and efficiency of the internal controls. As such, the internal control system will also assist the Board and the AC in compliance with the CG Code and the Listing Manual. The AC and the Board 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 CEO 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 CEO 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 2018.

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 Ms. Cheah Sui Ling (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. The AC members meet, at least once every quarter to deliberate matters under its responsibility.

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;

CORPORATE GOVERNANCE

(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.

During the year under review, the AC has reviewed:
- the financial statements of PLife REIT before the announcement of quarterly and full-year results of PLife REIT;
- the reports on audit findings reported by the internal and external auditors;
- the reports on material business risk of PLife REIT reported by the external risk consultant;
- the compliance work plan and updates reported by the compliance officer;
- the related party transactions of PLife REIT.

In addition, 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 FY2018, the aggregate amount of fees paid and payable by PLife REIT to the external auditors was S$348,000, comprising non-audit service fees of S$87,000 and audit service fees of S$261,000. 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 meets with the external auditors, without the presence of management, at least once a year.

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

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

INTERNAL AUDIT

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

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

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

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, and has put in place an investor relations policy which sets out the policies and practices which the Manager adopted.

The investor relations function is headed by the CEO and the Chief Financial Officer of the Manager. The Manager adopts a proactive approach in reaching out to the Unitholders, existing and potential investors, analyst and media through various communication channels and programmes such as the corporate website, corporate literature, annual general meeting and investor outreach programmes, throughout the year. In line with the Manager's objective of transparent communication, timely and full disclosure of all material information relating to PLife REIT are disclosed 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 Manager ensures that unpublished price sensitive information are not disclosed selectively, and in the event of any inadvertent disclosure of such information, the Manager shall make necessary disclosure to the public via SGXNET and release on PLife REIT's website promptly.

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.

CORPORATE GOVERNANCE

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 132 of this Annual Report on the distribution policy and "Distribution Statements" on page 93 of this Annual Report for more details.

DEALINGS IN PLIFE REIT'S UNITS

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

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

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

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

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

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

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

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

RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

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

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

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 ("**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.

CORPORATE GOVERNANCE

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

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

PLife REIT's properties are located in Singapore, Japan and Malaysia and its strategy is to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including, but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. The Sponsor has interests in several healthcare and/or healthcare-related properties in the Asia-Pacific region such as those located in Malaysia. Potential conflicts of interest between the Sponsor and PLife REIT may arise in respect of acquisition and ownership of healthcare and/or healthcare-related assets in the Asia-Pacific region, including Singapore where PLife REIT's initial properties are located, and where PLife REIT's investment strategy is to invest in healthcare and/or healthcare-related properties located therein.

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

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

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

RELATED PARTY TRANSACTIONS

THE MANAGER'S INTERNAL CONTROL SYSTEM

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

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) 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.

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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 173 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?
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 on page 60 of the Corporate Governance Statement ("CG Statement").
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) Yes, please refer to the disclosure on page 62 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 on page 63 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 on page 63 of the CG Statement.

Guideline	Questions	How has the Company complied?
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 on page 63 of the CG Statement.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	(a) Please refer to the disclosure on page 63 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) Yes, please refer to the disclosure on page 61 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 on page 64 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 on page 64 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 on page 64 of the CG Statement.
	(b) Has the Board met its performance objectives?	
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 on page 62 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.	Not applicable as there is no such director.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	
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.	None of the independent director has served beyond nine years on the Board. Please refer to the disclosure on page 62 of the CG Statement.

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
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 on page 66 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 on page 66 of the CG Statement.
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 on page 67 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 on page 65 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 on page 61 of the CG Statement.

Guideline	Questions	How has the Company complied?
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes, please refer to the disclosure on page 71 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.	(a) Yes, please refer to the disclosure on page 69 of the CG Statement.
	(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?	(b) Yes, please refer to the disclosure on page 68 of the CG Statement.
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.	Yes, please refer to the disclosure on page 70 of the CG Statement.
	(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.	
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?	Yes, please refer to the disclosure on page 71 of the CG Statement.
	(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?	
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 93 of the Annual Report.

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. 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.

	Fees payable by PLife REIT	Amount payable to the Manager
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. 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.

DISCLOSURE ON FEES

	Fees payable by PLife REIT	Amount payable to the Manager
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 FEE

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 91 to 172, 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

Authorised Signatory

20 March 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages 91 to 172 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 2018, 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*" (RAP 7) 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

20 March 2019

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 2018, 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 91 to 172.

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 2018 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 (ISCA).

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 Portfolio Statements and Note 4 to the financial statements)

Risk

As at 31 December 2018, the Group has 50 properties (collectively "investment properties"). These investment properties are stated at their fair values, which amounted to $1.86 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. The valuations are sensitive to the key assumptions applied and a change in the assumptions could have a significant impact to the valuation.

Our response

We evaluated the capabilities, objectivity and competency of the valuers and held discussions with the valuers to understand their valuation methodologies and assumptions used.

We considered the valuation methodologies used against those applied by other valuers for similar property type. We challenged the key assumptions used in the valuation by comparing them against historical rates, market comparable and industry data, taking into consideration comparability and market factors.

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.

Other information

Parkway Trust Management Limited, the manager of the Trust (the Manager) is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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 ISCA, 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 Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Trust	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current assets					
Investment properties	4	**1,860,534**	1,731,063	**1,160,400**	1,088,200
Interests in subsidiaries	5	**–**	–	**582,106**	576,543
Financial derivatives	6	**237**	3,531	**237**	3,531
		1,860,771	1,734,594	**1,742,743**	1,668,274
Current assets					
Financial derivatives	6	**44**	13	**44**	13
Trade and other receivables	7	**11,211**	10,894	**10,170**	9,866
Cash and cash equivalents	8	**22,102**	25,720	**1,004**	4,936
		33,357	36,627	**11,218**	14,815
Total assets		**1,894,128**	1,771,221	**1,753,961**	1,683,089
Current liabilities					
Financial derivatives	6	**352**	163	**352**	163
Trade and other payables	9	**20,799**	19,451	**13,858**	13,287
Current portion of security deposits		**1,000**	940	**43**	–
Loans and borrowings	10	**–**	15,900	**–**	15,900
Tax payables		**2**	1	**–**	–
		22,153	36,455	**14,253**	29,350
Non-current liabilities					
Financial derivatives	6	**4,002**	1,224	**4,002**	1,224
Non-current portion of security deposits		**19,442**	18,076	**–**	35
Loans and borrowings	10	**683,183**	626,382	**683,183**	626,382
Deferred tax liabilities	11	**28,955**	23,744	**–**	–
		735,582	669,426	**687,185**	627,641
Total liabilities		**757,735**	705,881	**701,438**	656,991
Net assets		**1,136,393**	1,065,340	**1,052,523**	1,026,098
Represented by:					
Unitholders' funds	12	**1,136,393**	1,065,340	**1,052,523**	1,026,098
Units in issue ('000)	13	**605,002**	605,002	**605,002**	605,002
Net asset value per unit ($)		**1.88**	1.76	**1.74**	1.70

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

STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2018

		Group		Trust	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross revenue	14	**112,838**	109,881	**85,298**	91,199
Property expenses	15	**(7,434)**	(7,232)	**(3,118)**	(3,118)
Net property income		**105,404**	102,649	**82,180**	88,081
Management fees	16	**(11,402)**	(11,151)	**(10,186)**	(9,904)
Trust expenses	17	**(3,184)**	(3,086)	**(2,044)**	(2,212)
Interest income		**6**	–	**–**	–
Finance costs	18	**(6,734)**	(7,952)	**(6,734)**	(7,952)
Foreign exchange gain/(loss), net		**991**	1,583	**(19,432)**	20,979
		(20,323)	(20,606)	**(38,396)**	911
Total return before changes in fair value of financial derivatives and investment properties		**85,081**	82,043	**43,784**	88,992
Net change in fair value of financial derivatives		**(2,256)**	1,954	**(7,653)**	8,940
Net change in fair value of investment properties	4	**77,888**	25,970	**67,339**	26,789
Total return before income tax		**160,713**	109,967	**103,470**	124,721
Income tax expense	19	**(8,781)**	(8,503)	**–**	–
Total return for the year		**151,932**	101,464	**103,470**	124,721
Earnings per unit (cents)					
Basic and diluted	20	**25.11**	16.77	**17.10**	20.61

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Amount available for distribution to Unitholders at beginning of the year		**20,444**	18,523	**20,444**	18,523
Total return for the year		**151,932**	101,464	**103,470**	124,721
Distribution adjustments	A	**(71,030)**	(23,099)	**(22,568)**	(40,966)
Rollover adjustment		**(5)**	(2)	**(5)**	(2)
Distribution of divestment gains		**–**	5,390	**–**	–
Amount retained for capital expenditure		**(3,000)**	(3,000)	**(3,000)**	(3,000)
Income for the year available for distribution to Unitholders	B	**77,897**	80,753	**77,897**	80,753
Amount available for distribution to Unitholders		**98,341**	99,276	**98,341**	99,276
Distributions to Unitholders during the year:					
– Distribution of 3.06 cents per unit for period from 1 October 2016 to 31 December 2016		**–**	18,513	**–**	18,513
– Distribution of 3.28 cents per unit for period from 1 January 2017 to 31 March 2017		**–**	19,844	**–**	19,844
– Distribution of 3.32 cents per unit for period from 1 April 2017 to 30 June 2017		**–**	20,086	**–**	20,086
– Distribution of 3.37 cents per unit for period from 1 July 2017 to 30 September 2017		**–**	20,389	**–**	20,389
– Distribution of 3.38 cents per unit for period from 1 October 2017 to 31 December 2017		**20,449**	–	**20,449**	–
– Distribution of 3.17 cents per unit for period from 1 January 2018 to 31 March 2018		**19,179**	–	**19,179**	–
– Distribution of 3.19 cents per unit for period from 1 April 2018 to 30 June 2018		**19,299**	–	**19,299**	–
– Distribution of 3.23 cents per unit for period from 1 July 2018 to 30 September 2018		**19,542**	–	**19,542**	–
		78,469	78,832	**78,469**	78,832
Amount available for distribution to Unitholders at end of the year		**19,872**	20,444	**19,872**	20,444

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018	Group 2017	Trust 2018	Trust 2017
Number of units entitled to distribution ('000)	13	**605,002**	605,002	**605,002**	605,002
Distribution per unit (cents)[1]		**12.87**	13.35	**12.87**	13.35

[1] The distribution per unit relates to the distributions in respect of the relevant financial year. The distribution relating to the last quarter of 2018 will be paid after 31 December 2018.

Note A – Distribution adjustments comprise:

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Non-tax deductible/(non-taxable) items:				
Trustee's fees	**309**	303	**309**	303
Amortisation of transaction costs relating to debt facilities	**663**	846	**663**	846
Net overseas income not distributed to the Trust	**–**	–	**16,185**	13,378
Foreign exchange (gain)/loss, net	**(571)**	(1,100)	**19,853**	(20,494)
Others	**108**	773	**108**	730
Net change in fair value of financial derivatives	**2,256**	(1,954)	**7,653**	(8,940)
Net change in fair value of investment properties (net of deferred tax liabilities)	**(73,795)**	(21,967)	**(67,339)**	(26,789)
Net effect of distribution adjustments	**(71,030)**	(23,099)	**(22,568)**	(40,966)

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

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Unitholders' distributions:				
– from operations	**64,798**	70,514	**64,798**	70,514
– from Unitholders' contributions	**13,099**	10,239	**13,099**	10,239
Total Unitholders' distributions	**77,897**	80,753	**77,897**	80,753

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2018

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Unitholders' funds at beginning of year	**1,065,340**	1,037,636	**1,026,098**	979,197
Operations				
Total return for the year	**151,932**	101,464	**103,470**	124,721
Unitholders' transactions				
Distribution to Unitholders	**(78,469)**	(78,832)	**(78,469)**	(78,832)
Total increase in Unitholders' funds before movement in other reserves	**73,463**	22,632	**25,001**	45,889
Other reserves				
Net movement in hedging reserve	**1,424**	1,012	**1,424**	1,012
Translation differences on hedge of net investment in foreign operations	**(26,291)**	20,757	**–**	–
Translation differences arising on consolidation of foreign operations	**22,457**	(16,697)	**–**	–
Net (decrease)/increase in other reserves	**(2,410)**	5,072	**1,424**	1,012
Unitholders' funds at end of year	**1,136,393**	1,065,340	**1,052,523**	1,026,098

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

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	56	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property (1)	Leasehold	75	64	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property (1)	Leasehold	75	64	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
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 2018

Existing use	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
Hospital and medical centre	**718,700**	675,500	**63.2**	63.4
Hospital and medical centre	**378,500**	355,800	**33.3**	33.4
Hospital and medical centre	**63,200**	56,900	**5.6**	5.3
	1,160,400	1,088,200	**102.1**	102.1
Pharmaceutical product distributing and manufacturing facility	**29,388**	27,776	**2.6**	2.6
Nursing home with care service	**20,460**	18,873	**1.8**	1.8
Nursing home with care service	**21,948**	20,654	**1.9**	1.9
Nursing home with care service	**13,020**	12,226	**1.1**	1.1
Nursing home with care service	**22,444**	21,247	**2.0**	2.0
	107,260	100,776	**9.4**	9.4

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

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, Gamonishimachi, Koshigaya City, Saitama Prefecture, Japan
Sompo no Ie Nakasyo (2)	Freehold	N.A.	N.A.	923-1 Aza Miyata, Hirata, Kurashiki City, Okayama Prefecture, Japan
Maison des Centenaire Ishizugawa (2)	Freehold	N.A.	N.A.	2-1-9, Hamadera Ishizuchonishi, Nishi-Ku, Sakai City, Osaka Prefecture, Japan
Maison des Centenaire Haruki (2)	Freehold	N.A.	N.A.	12-20, Haruki-Miyakawacho, Kishiwada City, Osaka Prefecture, Japan
Hapine Fukuoka Noke (2)	Freehold	N.A.	N.A.	4-35-9, Noke, Sawara-ku, Fukuoka City, Fukuoka Prefecture, Japan
Fiore Senior Residence Hirakata (2)	Freehold	N.A.	N.A.	4-10, Higashikori-Shinmachi, Hirakata City, Osaka Prefecture, Japan
Iyashi no Takatsuki Kan (2)	Freehold	N.A.	N.A.	3-19, Haccho-Nishimachi, Takatsuki City, Osaka Prefecture, Japan
Sawayaka Obatake Ichibankan (2)	Freehold	N.A.	N.A.	3-3-51 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan
Sawayaka Sakurakan (2)	Freehold	N.A.	N.A.	126-2 Nakadomari, Nishi-nagano, Kakunodate-machi, Senboku City, Akita Prefecture, Japan
Sawayaka Nogatakan (2)	Freehold	N.A.	N.A.	442-1 Yamabe-Oaza, Nogata City, Fukuoka Prefecture, Japan
Balance carried forward				

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Existing use	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
	107,260	100,776	**9.4**	9.4
Nursing home with care service	**9,858**	9,342	**0.9**	0.9
Nursing home with care service	**19,964**	19,111	**1.8**	1.8
Nursing home with care service	**8,643**	8,487	**0.8**	0.8
Nursing home with care service	**11,321**	11,122	**1.0**	1.0
Nursing home with care service	**8,742**	8,368	**0.8**	0.8
Nursing home with care service	**10,813**	10,837	**1.0**	1.0
Nursing home with care service	**6,349**	6,422	**0.6**	0.6
Nursing home with care service	**20,956**	19,942	**1.8**	1.9
Nursing home with care service	**10,404**	9,769	**0.9**	0.9
Nursing home with care service	**11,073**	10,529	**1.0**	1.0
Nursing home with care service	**9,957**	9,247	**0.9**	0.9
	235,340	223,952	**20.9**	21.0

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

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 Prefecture, Japan
Sawayaka Obatake Nibankan (2)	Freehold	N.A.	N.A.	1-6-26 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan
Sawayaka Fukufukukan (2)	Freehold	N.A.	N.A.	1-24-4 Fukuyanagi, Tobata-ku, Kita-kyushu City, Fukuoka Prefecture, Japan
As Heim Nakaurawa (2)	Freehold	N.A.	N.A.	2-21-9 Nishibori, Sakura-ku, Saitama Prefecture, Japan
Fureai no Sono Musashi Nakahara (2)	Freehold	N.A.	N.A.	5-14-25 Shimo Kotanaka Nakahara-ku, Kawasaki, Kanagawa Prefecture, 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
Sawayaka Seaside Toba (2)	Freehold	N.A.	N.A.	300-73 Aza Hamabe, Ohamacho Toba City, Mie Prefecture, Japan
Balance carried forward				

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

	At Valuation		Percentage of Net Assets	
Existing use	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**%**	**%**
	235,340	223,952	**20.9**	21.0
Nursing home with care service	**13,020**	12,297	**1.1**	1.2
Short stay/Day care home	**4,935**	4,629	**0.4**	0.4
Nursing home with care service	**9,188**	8,772	**0.8**	0.8
Nursing home with care service	**14,508**	13,769	**1.3**	1.3
Nursing home with care service	**11,259**	10,683	**1.0**	1.0
Nursing home with care service	**12,896**	12,274	**1.1**	1.2
Nursing home with care service	**6,634**	6,339	**0.6**	0.6
Nursing home with care service	**20,088**	18,873	**1.8**	1.8
Nursing home with care service	**19,604**	18,470	**1.7**	1.7
	347,472	330,058	**30.7**	31.0

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
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
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
Balance carried forward				

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Existing use	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
	347,472	330,058	**30.7**	31.0
Nursing home with care service	**19,034**	17,912	**1.7**	1.7
Nursing home with care service	**4,005**	4,178	**0.4**	0.4
Nursing home with care service	**12,760**	11,822	**1.1**	1.1
Nursing home with care service	**9,263**	8,748	**0.8**	0.8
Nursing home with care service	**24,552**	22,553	**2.2**	2.1
Nursing home with care service	**9,312**	8,986	**0.8**	0.8
Extended stay lodging facility	**11,718**	11,146	**1.0**	1.1
Nursing home with care service	**46,252**	43,883	**4.1**	4.1
Nursing home with care service	**24,974**	23,681	**2.2**	2.2
Nursing home with care service	**50,084**	46,293	**4.4**	4.4
Nursing home with care service	**23,014**	21,805	**2.0**	2.1
	582,440	551,065	**51.4**	51.8

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
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) (2)	Freehold	N.A.	N.A.	6-1 Fukuzumi, 3jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan
Wakaba no Oka (2)	Freehold	N.A.	N.A.	1763-12 Oguramachi Wakabaku, Chiba City, Chiba Prefecture, Japan
Hakusho no Sato (2)	Freehold	N.A.	N.A.	301 Hijikai, Yachimata City, Chiba Prefecture, Japan
Group Home Hakusho (2)	Freehold	N.A.	N.A.	1345-16 Toyoma, Yachimata City, Chiba Prefecture, Japan
Kikuya Warakuen (2)	Freehold	N.A.	N.A.	1404-10 Nishitoyoi, Oaza, Kudamatsu City, Yamaguchi Prefecture, Japan
Sanko (2)	Freehold	N.A.	N.A.	4-16-16 Mizuhomachi, Kudamatsu City, Yamaguchi Prefecture, Japan
Konosu Nursing Home Kyoseien (3)	Freehold	N.A.	N.A.	3409-1 Shimoya, Konosu, Saitama Prefecture, Japan

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Existing use	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
	582,440	551,065	**51.4**	51.8
Nursing home with care service	**4,501**	4,143	**0.4**	0.4
Nursing home with care service	**2,183**	2,006	**0.2**	0.2
Group home with care service	**2,505**	2,303	**0.2**	0.2
Nursing home with care service	**14,632**	13,769	**1.3**	1.3
Nursing home with care service	**26,412**	24,808	**2.3**	2.3
Nursing home with care service	**20,832**	19,704	**1.8**	1.9
Group home with care service	**1,314**	1,258	**0.1**	0.1
Nursing home with care service	**10,565**	10,078	**0.9**	0.9
Nursing home with care service	**6,783**	6,422	**0.6**	0.6
Nursing rehabilitation facility	**20,584**	–	**1.8**	–
	692,751	635,556	**61.0**	59.7

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Malaysia				
Gleneagles Intan Medical Centre, Kuala Lumpur (4)	Freehold	N.A.	N.A.	282, Jalan Ampang 50450 Kuala Lumpur, Malaysia
Investment properties, at valuation				
Other assets and liabilities (net)				
Net assets				
Trust				
Singapore				
The Mount Elizabeth Hospital Property (1)	Leasehold	67	56	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property (1)	Leasehold	75	64	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property (1)	Leasehold	75	64	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 2018, the appraised value of these properties was determined by CBRE Pte. Ltd., using direct capitalisation and discounted cash flow methods.

(2) On 31 December 2018, independent valuations of these properties were undertaken by CBRE K.K., Enrix Co., Ltd and International Appraisals Incorporated using direct capitalisation and discounted cash flow methods.

(3) On 7 February 2018, the Group has entered into a Tokumei Kumiai agreement as an investor in relation to the acquisition of a nursing rehabilitation facility located in Japan for a purchase price of JPY1,500 million (approximately S$18.5 million). The acquisition of the property was completed on 14 February 2018. On 31 December 2018, the appraised value of the property was determined by Enrix Co., Ltd using direct capitalisation and discounted cash flow methods.

(4) On 31 December 2018, the appraised value of the property was determined by Knight Frank Malaysia Sdn. Bhd. using the direct capitalisation method.

The Manager 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.

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

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2018

Existing use	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Net Assets 2018 %	Percentage of Net Assets 2017 %
Medical Centre	**7,383**	7,307	**0.6**	0.7
	1,860,534	1,731,063	**163.7**	162.5
	(724,141)	(665,723)	**(63.7)**	(62.5)
	1,136,393	1,065,340	**100.0**	100.0
Hospital and medical centre	**718,700**	675,500	**68.3**	65.8
Hospital and medical centre	**378,500**	355,800	**35.9**	34.7
Hospital and medical centre	**63,200**	56,900	**6.0**	5.5
	1,160,400	1,088,200	**110.2**	106.0
	(107,877)	(62,102)	**(10.2)**	(6.0)
	1,052,523	1,026,098	**100.0**	100.0

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Operating activities			
Total return before income tax		**160,713**	109,967
Adjustments for:			
Interest income		**(6)**	–
Finance costs		**6,734**	7,952
Net change in fair value of financial derivatives		**2,256**	(1,954)
Net change in fair value of investment properties	4	**(77,888)**	(25,970)
Operating income before working capital changes		**91,809**	89,995
Changes in working capital:			
Trade and other receivables		**(264)**	(447)
Trade and other payables		**821**	(1,876)
Security deposits		**583**	1,109
Cash generated from operations		**92,949**	88,781
Income tax paid		**(4,599)**	(8,035)
Cash flows generated from operating activities		**88,350**	80,746
Investing activities			
Interest received		**6**	–
Capital expenditure on investment properties		**(6,629)**	(5,261)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		**(21,153)**	(65,189)
Divestment related cost paid		**–**	(720)
Cash flows used in investing activities		**(27,776)**	(71,170)
Financing activities			
Borrowing costs paid		**(616)**	(50)
Interest paid		**(6,133)**	(7,256)
Distributions to Unitholders		**(78,469)**	(78,832)
Proceeds from issue of medium term notes		**43,190**	59,300
Proceeds from loans and borrowings		**217,211**	210,971
Repayment of loans and borrowings		**(239,892)**	(237,009)
Cash flows used in financing activities		**(64,709)**	(52,876)
Net decrease in cash and cash equivalents		**(4,135)**	(43,300)
Cash and cash equivalents at beginning of year		**25,462**	69,184
Effects of exchange differences on cash balances		**505**	(422)
Cash and cash equivalents at end of year [1]	8	**21,832**	25,462

[1] Excludes deposits amounting to JPY21.7 million (approximately $0.3 million) (2017: JPY21.7 million (approximately $0.3 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 2018

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	
	2018	**2017**
	$'000	**$'000**
Investment properties	**18,450**	59,440
Acquisition related costs	**2,703**	5,749
Cash outflow/cash consideration paid	**21,153**	65,189

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 20 March 2019.

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, 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 2018

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:

(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;

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1 GENERAL (CONT'D)

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

(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 2018

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").

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement

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

– derivative financial instruments are measured at fair value; and

– investment properties are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and the 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 estimates are 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 to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – fair value determination of investment properties; and
- Note 23 – 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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

If the inputs used to measure the fair value of an asset or a liability fall into 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 23 – valuation of financial instruments.

2.5 Changes in accounting policies

The Group has applied the principles relating to the recognition and measurement of the following FRSs for the first time for the annual period beginning on 1 January 2018:

- FRS 115 *Revenue from Contracts with Customers*;
- FRS 109 *Financial Instruments.*

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. Under FRS 115, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of the recognition and measurement principles of FRS 115 did not have a material effect on the financial statements.

FRS 109 *Financial Instruments*

Classification and measurement of financial assets and financial liabilities

An explanation of how the Group classifies and measures financial assets and related gains and losses under the principles of FRS 109 is set out in Note 3.4.

The adoption of these principles did not have a material effect on the financial statements and the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under the principles of FRS 39 and the new measurement categories under the principles of FRS 109 for each class of the Group's and the Trust's financial assets and financial liabilities as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

Group	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 $'000	New carrying amount under FRS 109 $'000
Financial assets				
Financial derivatives				
– Forward foreign exchange contracts	Fair value through profit or loss	Mandatorily at FVTPL	1,897	1,897
– Cross currency interest rate swaps used for hedging	Fair value – hedging instruments	Fair value – hedging instruments	1,647	1,647
Trade and other receivables *	Loans and receivables	Amortised cost	10,155	10,155
Cash and cash equivalent	Loans and receivables	Amortised cost	25,720	25,720
Total financial assets			**39,419**	**39,419**
Financial liabilities				
Financial derivatives				
– Interest rate swaps used for hedging	Fair value – hedging instruments	Fair value – hedging instruments	(1,387)	(1,387)
Loans and borrowings	Other financial liabilities	Other financial liabilities	(642,282)	(642,282)
Trade and other payables ^	Other financial liabilities	Other financial liabilities	(12,978)	(12,978)
Security deposits	Other financial liabilities	Other financial liabilities	(19,016)	(19,016)
Total financial liabilities			**(675,663)**	**(675,663)**

* Excludes prepayments

^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

Trust	**Original classification under FRS 39**	**New classification under FRS 109**	**Original carrying amount under FRS 39 $'000**	**New carrying amount under FRS 109 $'000**
Financial assets				
Financial derivatives				
– Forward foreign exchange contracts	Fair value through profit or loss	Mandatorily at FVTPL	1,897	1,897
– Cross currency interest rate swaps used for hedging	Fair value – hedging instruments	Fair value – hedging instruments	1,647	1,647
Trade and other receivables *	Loans and receivables	Amortised cost	9,858	9,858
Cash and cash equivalent	Loans and receivables	Amortised cost	4,936	4,936
Total financial assets			**18,338**	**18,338**
Financial liabilities				
Financial derivatives				
– Interest rate swaps used for hedging	Fair value – hedging instruments	Fair value – hedging instruments	(1,387)	(1,387)
Loans and borrowings	Other financial liabilities	Other financial liabilities	(642,282)	(642,282)
Trade and other payables ^	Other financial liabilities	Other financial liabilities	(10,787)	(10,787)
Security deposits	Other financial liabilities	Other financial liabilities	(35)	(35)
Total financial liabilities			**(654,491)**	**(654,491)**

* Excludes prepayments

^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and have been applied consistently by the Group, except as explained in Note 2.5, which addressed changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Business combinations and property acquisitions

Where a property is acquired, the Manager considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired.

When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Accounting for subsidiaries by the Trust

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

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

Foreign currency differences arising on translation are recognised in the statement of total return, except for differences arising on the translation 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, which are recognised in the Unitholders' funds.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are accounted for as non-current assets and are 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.

3.4 Financial instruments

Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Manager; and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of total return. Any gain or loss on derecognition is recognised in statement of total return.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into loans and receivables category.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

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

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as other financial liabilities and are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of total return. These financial liabilities comprised loans and borrowings, trade and other payables and security deposits.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, cash collateral received is excluded.

Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of total return, unless it is designated in a hedge relationship that qualifies for hedge accounting.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of FRS 109.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Unitholders' funds and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in Unitholders' funds is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

For all hedge transactions, the amount accumulated in the hedging reserve is reclassified to the statement of total return in the same period or periods during which the hedged expected future cash flows affect the statement of total return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in Unitholders' funds until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to statement of total return in the same period or periods as the hedged expected future cash flows affect total return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to statement of total return.

Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in Unitholders' funds and presented in the translation reserve within Unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in statement of total return. The amount recognised in Unitholders' funds is reclassified to statement of total return as a reclassification adjustment on disposal of the foreign operation.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to statement of total return in the same period or periods during which the hedged expected future cash flows affected 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 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment

Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would 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.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in statement of total return and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through 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").

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

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

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

3.6 Revenue recognition

(i) Rental income from operating leases

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

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised in the statement of total return on the date the Trust's right to receive payment is established.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Expenses (cont'd)

(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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Income tax expense (cont'd)

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

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

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement 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 December 2025, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Income tax expense (cont'd)

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 real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment.

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 to acquire the units in that REIT are not obtained from that operation.

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

3.9 Distribution policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Distribution policy (cont'd)

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.

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 2019 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, 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*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of Unitholders' funds at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to its portfolio. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for leases in which the Group is a lessee.

The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for leases in which the Group is a lessor.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 INVESTMENT PROPERTIES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**1,731,063**	1,657,209	**1,088,200**	1,057,200
Acquisition of investment properties	**18,450**	59,440	**–**	–
Acquisition related costs	**2,601**	5,537	**–**	–
Capital expenditure	**7,196**	6,216	**4,861**	4,211
Translation difference	**23,336**	(23,309)	**–**	–
	1,782,646	1,705,093	**1,093,061**	1,061,411
Net change in fair value of investment properties	**77,888**	25,970	**67,339**	26,789
At 31 December	**1,860,534**	1,731,063	**1,160,400**	1,088,200

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2018 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 methods.

The direct capitalisation method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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 method	• Risk-adjusted discount rates range from 4.7% to 7.25% (2017: 5.0% to 7.5%). • Terminal yield rates range from 5.0% to 6.9% (2017: 4.5% to 7.0%).	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 method	• Capitalisation rates range from 4.7% to 6.8% (2017: 5.2% to 7.0%).	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.

5 INTERESTS IN SUBSIDIARIES

	Trust	
	2018	**2017**
	$'000	**$'000**
Equity investments, at cost	**578,031**	572,468
Amount due from subsidiary (non-trade)	**4,075**	4,075
	582,106	576,543

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 amortised cost. Allowance for impairment on this amount on adoption of FRS 109 is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5 INTERESTS IN SUBSIDIARIES (CONT'D)

The Group does not hold any ownership interest in the special purpose entities ("SPEs") in Japan listed below. The SPEs were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets. Consequently, the SPEs are regarded as subsidiaries of the Group.

Details of the subsidiaries are as follows:

	Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2018 %	2017 %
*	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 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
	** G.K. Nest	Special purpose entity – Investment in real estate	Japan	**100**	–
*	Parkway Life Japan3 Pte. Ltd.	Investment holding	Singapore	**100**	100
	** Godo Kaisha Healthcare 1	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Healthcare 2	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Healthcare 3	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Healthcare 4	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 2018

5 INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2018 %	2017 %
*	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	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	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 10	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 11	Special purpose entity – Investment in real estate	Japan	**100**	100
	** Godo Kaisha Samurai 12	Special purpose entity – Investment in real estate	Japan	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5 INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2018 %	Effective interest held by the Group 2017 %
*	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.
\# Audited by KPMG Malaysia.
For consolidation purposes, the SPEs are audited by KPMG Singapore.

6 FINANCIAL DERIVATIVES

	Group and Trust 2018 $'000	Group and Trust 2017 $'000
Current derivative assets	**44**	13
Non-current derivative assets	**237**	3,531
Total derivative assets	**281**	3,544
Current derivative liabilities	**(352)**	(163)
Non-current derivative liabilities	**(4,002)**	(1,224)
Total derivative liabilities	**(4,354)**	(1,387)
Total derivative (liabilities)/assets (net)	**(4,073)**	2,157

	Group 2018 %	Group 2017 %	Trust 2018 %	Trust 2017 %
Percentage of derivative assets to Unitholders' funds	**0.0**	0.3	**0.0**	0.3
Percentage of derivative liabilities to Unitholders' funds	**(0.4)**	(0.1)	**(0.4)**	(0.1)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6 FINANCIAL DERIVATIVES (CONT'D)

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 $342.2 million (2017: $334.9 million) to provide fixed rate funding up to 2024 (2017: up to 2020) at a weighted average effective interest rate of 0.25% (2017: 0.34%) per annum.

As at 31 December 2018, where the interest rate swaps are designated as the hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the interest rate swaps amounting to $0.1 million gain (2017: $1.1 million gain) 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 $0.2 million gain (2017: $0.5 million gain) was credited to the statement of total return. At the same time, an amount of $0.6 million loss (2017: $0.8 million loss) was reclassified from hedging reserve 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 $60.9 million (2017: $68.8 million). The change in fair value of $1.9 million loss (2017: $2.2 million gain) was charged to the statement of total return.

Cross currency interest rate swap

At the reporting date, the Group has cross currency interest rate swaps ("CCIRS") with notional principal of $125.2 million (2017: $125.2 million) to manage its foreign currency risk and interest rate risk arising from the financing of Japan properties using Singapore dollar facilities. To maintain a natural hedge, the Group utilised CCIRS to realign the Singapore dollar denominated loans back into effective Japanese Yen denominated loans 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 $5.4 million loss (2017: $7.0 million gain) and $0.7 million gain (2017: $0.9 million loss) were recognised in the foreign currency translation reserve and hedging reserve, respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6 FINANCIAL DERIVATIVES (CONT'D)

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 statements of financial position $'000	Net amounts of financial instruments included in the statements of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Group and Trust					
31 December 2018					
Financial assets					
Forward foreign exchange contracts	**281**	**–**	**281**	**(281)**	**–**
Financial liabilities					
Cross currency interest rate swaps used for hedging	**(3,023)**	**–**	**(3,023)**	**–**	**(3,023)**
Forward foreign exchange contracts	**(314)**	**–**	**(314)**	**281**	**(33)**
Interest rate swaps used for hedging	**(1,017)**	**–**	**(1,017)**	**–**	**(1,017)**
Total	**(4,354)**	**–**	**(4,354)**	**281**	**(4,073)**
31 December 2017					
Financial assets					
Cross currency interest rate swaps used for hedging	1,647	–	1,647	–	1,647
Forward foreign exchange contracts	1,897	–	1,897	–	1,897
Total	3,544	–	3,544	–	3,544
Financial liabilities					
Interest rate swaps used for hedging	(1,387)	–	(1,387)	–	(1,387)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	**146**	98	**–**	–
Amounts due from related party (trade)	**10,162**	9,858	**10,162**	9,858
Other receivables	**184**	199	**–**	–
Loans and receivables	**10,492**	10,155	**10,162**	9,858
Prepayments	**719**	739	**8**	8
	11,211	10,894	**10,170**	9,866

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

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Nursing homes	**144**	98	**–**	–
Hospitals and medical centres	**10,164**	9,858	**10,162**	9,858
	10,308	9,956	**10,162**	9,858

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 $10,162,000 (2017: $9,858,000) 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 2018, the Trust has in its possession a bankers' guarantee in its favour amounting to $7.5 million (2017: $7.5 million). It is 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

The ageing of trade receivables that were not impaired at the reporting date was:

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Neither past due nor impaired	**10,162**	9,858	**10,162**	9,858
Past due 1 – 30 days	**103**	98	**–**	–
Past due 31 – 180 days	**43**	–	**–**	–
	10,308	9,956	**10,162**	9,858

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents in the statement of financial position	**22,102**	25,720	**1,004**	4,936
Less cash collateral received	**(270)**	(258)	**–**	–
Cash and cash equivalents in the cash flow statement	**21,832**	25,462	**1,004**	4,936

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables and accrued operating expenses	**7,438**	6,498	**5,015**	4,556
Amounts due to related parties:				
– the Manager (trade)	**5,596**	5,434	**5,592**	5,425
– the Manager (non-trade)	**97**	91	**97**	91
– the Trustee (trade)	**53**	51	**53**	51
– related corporation (non-trade)	**240**	240	**–**	–
Interest payable	**601**	664	**601**	664
Advance rent received	**6,774**	6,473	**2,500**	2,500
	20,799	19,451	**13,858**	13,287

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 23.

10 LOANS AND BORROWINGS

	Group and Trust	
	2018	**2017**
	$'000	**$'000**
Current liability		
Unsecured bank loans	**–**	15,900
Non-current liabilities		
Unsecured bank loans	**538,402**	529,447
Unsecured medium term notes	**146,320**	98,521
Unamortised transaction costs	**(1,539)**	(1,586)
	683,183	626,382

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

10 LOANS AND BORROWINGS (CONT'D)

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	2018 Face value $'000	2018 Carrying amount $'000	2017 Face value $'000	2017 Carrying amount $'000
S$ variable rate loans	Bank's cost of fund	2018	–	–	15,900	15,900
JPY floating rate loans	LIBOR + margin	2019*	–	–	77,688	77,658
S$ floating rate loan	SOR + margin	2019*	–	–	50,000	49,899
S$ floating rate loan	SOR + margin	2020	**75,188**	**75,048**	75,188	74,966
JPY floating rate loans	LIBOR + margin	2020	**97,934**	**97,820**	94,960	94,739
S$ floating rate loans	SOR + margin	2021	**121,000**	**120,708**	50,000	49,814
JPY floating rate loan	LIBOR + margin	2021	**80,600**	**80,375**	77,155	76,842
JPY floating rate loan	LIBOR + margin	2022	**109,120**	**108,781**	104,456	104,004
JPY medium term notes	0.58%	2022	**40,920**	**40,892**	39,171	39,135
JPY medium term notes	0.57%	2023	**62,000**	**61,948**	59,350	59,325
JPY medium term notes	0.65%	2024	**43,400**	**43,368**	–	–
JPY floating rate loan	LIBOR + margin	2024	**54,560**	**54,243**	–	–
			684,722	**683,183**	643,868	642,282

SOR denotes Swap Offer Rate

LIBOR denotes London Interbank Offered Rate

* These loans were prepaid in 2018.

The loans and borrowings comprise the following:

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

As at the reporting date, the Group has drawn various long term unsecured term loans and revolving credit facilities totalling JPY27,598 million (approximately $342.2 million) and $196.2 million (2017: JPY29,845 million (approximately $354.2 million) and $175.2 million) (the "Long Term Facilities"). The Long Term Facilities are 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.

Interest rate was largely hedged as the Group entered into interest rate swaps and CCIRS to provide fixed rate funding for the above Long Term Facilities. Details of these hedging initiatives are set out in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

10 LOANS AND BORROWINGS (CONT'D)

(2) Unsecured Debt Issuance

Parkway Life REIT, through its wholly-owned subsidiary, Parkway Life MTN Pte. Ltd. ("PLife MTN"), has put in place a $500 million Multicurrency Debt Issuance Programme 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, PLife MTN 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.

All sums payable in respect of the notes issued by PLife MTN are unconditionally and irrevocably guaranteed by Parkway Life REIT Trustee.

As at 31 December 2018, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme amounted to JPY11,800 million (approximately $146.3 million) with maturity dates between 2022 to 2024 (2017: JPY8,300 million (approximately $98.5 million)).

(3) Short Term Facilities

The Trust has two unsecured and uncommitted short term multi-currency facilities (the "Short Term Facilities") amounting to $120.0 million for general working capital purposes. Interest on the Short Term Facilities is based on the bank's cost of fund.

The Short Term Facilities were unutilised as of 31 December 2018. In 2017, a total of $15.9 million was drawn down via the Short Term Facilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

10 LOANS AND BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 January 2018 $'000	Financing cash flows $'000	Foreign exchange movement $'000	Interest expense $'000	Transaction costs related to loans and borrowings $'000	Other changes $'000	31 December 2018 $'000
Loans and borrowings	**642,282**	**19,893**[1]	**20,345**	**–**	**663**	**–**	**683,183**
Interest payable	**664**	**(6,133)**	**–**	**6,070**	**–**	**–**	**601**
Cross currency interest rate swaps used for hedging – (assets)/ liabilities	**(1,647)**	**–**	**–**	**–**	**–**	**4,670**	**3,023**
Interest rate swaps used for hedging – liabilities	**1,387**	**–**	**–**	**–**	**–**	**(370)**	**1,017**
Forward foreign exchange contracts – liabilities	**–**	**–**	**–**	**–**	**–**	**314**	**314**

			Non-cash changes				
	1 January 2017 $'000	Financing cash flows $'000	Foreign exchange movement $'000	Interest expense $'000	Transaction costs related to loans and borrowings $'000	Other changes $'000	31 December 2017 $'000
Loans and borrowings	628,785	33,212[1]	(20,561)	–	846	–	642,282
Interest payable	814	(7,256)	–	7,106	–	–	664
Cross currency interest rate swaps used for hedging – liabilities/ (assets)	4,437	–	–	–	–	(6,084)	(1,647)
Interest rate swaps used for hedging – liabilities	3,039	–	–	–	–	(1,652)	1,387

[1] Net proceeds from loans and borrowings, repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 DEFERRED TAX LIABILITIES

	At 1 January $'000	Recognised in statement of total return (Note 19) $'000	Translation differences $'000	At 31 December $'000
Group				
2018				
Deferred tax liabilities				
Investment properties	**23,744**	**4,092**	**1,119**	**28,955**
2017				
Deferred tax liabilities				
Investment properties	20,733	4,002	(991)	23,744

12 UNITHOLDERS' FUNDS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unitholders' contribution	**659,492**	672,015	**659,492**	672,015
Revenue reserve	**473,736**	387,750	**394,340**	356,816
Hedging reserve	**(1,309)**	(2,733)	**(1,309)**	(2,733)
Foreign currency translation reserve	**4,474**	8,308	**–**	–
	1,136,393	1,065,340	**1,052,523**	1,026,098

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 2018

13 UNITS IN ISSUE

	Trust	
	2018	**2017**
	('000)	**('000)**
Units in issue:		
Balance at beginning and end of year	**605,002**	605,002

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

14 GROSS REVENUE

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Property rental income	**112,376**	109,676	**67,471**	66,365
Dividend income from subsidiaries	**–**	–	**17,827**	24,834
Other income	**462**	205	**–**	–
	112,838	109,881	**85,298**	91,199

15 PROPERTY EXPENSES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Operations and maintenance expenditure	**4,488**	4,429	**3,118**	3,118
Property tax	**2,898**	2,753	**–**	–
Property and lease management fees	**16**	15	**–**	–
Marketing services commission	**14**	17	**–**	–
Others	**18**	18	**–**	–
	7,434	7,232	**3,118**	3,118

16 MANAGEMENT FEES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Base fees	**5,443**	5,285	**5,443**	5,285
Performance fees	**4,743**	4,619	**4,743**	4,619
Asset management fees	**1,216**	1,247	**–**	–
	11,402	11,151	**10,186**	9,904

17 TRUST EXPENSES

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trustee fees	**309**	303	**309**	303
Valuation fees	**200**	147	**200**	147
Auditors' remuneration:				
– audit fees	**261**	260	**216**	125
– non-audit fees	**87**	121	**58**	111
Professional fees	**1,620**	1,869	**871**	1,260
Other expenses	**707**	386	**390**	266
	3,184	3,086	**2,044**	2,212

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

18 FINANCE COSTS

	Group and Trust	
	2018	**2017**
	$'000	**$'000**
Interest paid and payable		
– bank loans	**6,963**	6,299
– financial derivatives	**(893)**	807
	6,070	7,106
Amortisation of transaction costs relating to debt facilities	**663**	846
Others	**1**	–
	6,734	7,952

19 INCOME TAX EXPENSE

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense				
Withholding tax	**4,662**	4,461	**–**	–
Income tax expense	**27**	40	**–**	–
	4,689	4,501	**–**	–
Deferred tax expense				
Movement in temporary differences	**4,092**	4,002	**–**	–
	4,092	4,002	**–**	–
Total	**8,781**	8,503	**–**	–
Reconciliation of effective tax rate				
Total return for the year before income tax	**160,713**	109,967	**103,470**	124,721
Income tax using Singapore tax rate of 17% (2017: 17%)	**27,321**	18,694	**17,590**	21,203
Effect of different tax rate in foreign jurisdictions	**1,654**	1,231	**–**	–
Income not subject to tax	**(12,844)**	(5,145)	**(13,176)**	(8,691)
Non-tax deductible items	**2,114**	3,035	**5,050**	(3,200)
Tax transparency	**(9,464)**	(9,312)	**(9,464)**	(9,312)
	8,781	8,503	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

20 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Total return before income tax and distribution	**160,713**	109,967	**103,470**	124,721
Less: Income tax expense	**(8,781)**	(8,503)	**–**	–
Total return after income tax, before distribution	**151,932**	101,464	**103,470**	124,721

	Group and Trust	
	2018	**2017**
	Number of Units ('000)	**Number of Units ('000)**
Weighted average number of units in issue	**605,002**	605,002

	Group		Trust	
	2018	**2017**	**2018**	**2017**
Basic earnings per unit (cents)	**25.11**	16.77	**17.10**	20.61

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

21 COMMITMENTS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Capital commitments:				
– contracted but not provided for	**5,625**	3,530	**4,343**	3,212
– authorised but not contracted for	**3,776**	4,335	**3,539**	4,168
	9,401	7,865	**7,882**	7,380

Operating lease commitments

Operating lease rental receivable

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

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Within 1 year	**113,540**	109,081	**67,990**	66,853
After 1 year but within 5 years	**358,438**	410,825	**179,567**	243,509
More than 5 years	**229,473**	253,301	**–**	–
	701,451	773,207	**247,557**	310,362

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 2018, the Group leased out some of its strata titled units/lots within Gleneagles Intan Medical Centre Kuala Lumpur Malaysia to Gleneagles Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.), a related corporation of the Manager and the Trust.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

22 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.

	Group		Trust	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Related corporations of the Manager				
Rental income received/receivable	**67,798**	66,717	**67,471**	66,365
Other income received/receivable	**39**	32	**–**	–
The Manager				
Manager's management fees paid/payable	**10,186**	9,904	**10,186**	9,904
Acquisition fees paid/payable to the Manager	**185**	594	**185**	594
Travelling expenses reimbursed/reimbursable to the Manager	**305**	223	**305**	223
Property and lease management fees paid/payable to the Manager	**16**	15	**–**	–
Marketing services commission paid/payable to the Manager	**14**	17	**–**	–
The Trustee				
Trustee's fees paid/payable	**309**	303	**309**	303

23 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

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 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.

Expected credit loss assessment as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on actual credit loss over the past three years. The Manager believes that no allowance of impairment is necessary in respect of the trade receivable as these receivables relate mainly to lessees that have a good record with the Group or have sufficient security deposits as collateral, and hence ECL is not material.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

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.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Derivatives

The derivatives are entered only with bank counterparties that are regulated. The maximum exposure to credit risk is represented by the carrying value on the statement of financial position.

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 2018, the Group has uncommitted short term credit facilities of $120.0 million (2017: $134.1 million) that can be drawn down to meet short term financing needs. Furthermore, the Group has put in place a $500 million Debt Issuance Programme.

As at 31 December 2018, the outstanding notes issued under the Debt Issuance Programme was JPY11,800 million (approximately $146.3 million) (2017: JPY8,300 million (approximately $98.5 million)).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (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 $'000
Group					
2018					
Non-derivative financial liabilities					
S$ unsecured bank loans	**195,756**	**(207,246)**	**(5,003)**	**(202,243)**	**–**
JPY unsecured bank loans	**341,219**	**(345,806)**	**(1,615)**	**(289,578)**	**(54,613)**
JPY medium term notes	**146,208**	**(150,162)**	**(885)**	**(105,833)**	**(43,444)**
Security deposits	**20,442**	**(20,442)**	**(1,000)**	**(148)**	**(19,294)**
Trade and other payables^	**14,025**	**(14,025)**	**(14,025)**	**–**	**–**
	717,650	**(737,681)**	**(22,528)**	**(597,802)**	**(117,351)**
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– inflow	**(59,013)**	**60,896**	**26,399**	**34,497**	**–**
– outflow	**59,046**	**(60,923)**	**(26,461)**	**(34,462)**	**–**
Cross currency interest rate swaps (gross-settled)					
– inflow	**(1,558)**	**1,608**	**843**	**765**	**–**
– outflow	**4,581**	**(4,727)**	**(2,478)**	**(2,249)**	**–**
Interest rate swaps used for hedging (net-settled)	**1,017**	**(1,049)**	**(662)**	**(378)**	**(9)**
	4,073	**(4,195)**	**(2,359)**	**(1,827)**	**(9)**
	721,723	**(741,876)**	**(24,887)**	**(599,629)**	**(117,360)**
2017					
Non-derivative financial liabilities					
S$ unsecured bank loans	190,579	(199,988)	(19,346)	(180,642)	–
JPY unsecured bank loans	353,243	(359,632)	(2,255)	(357,377)	–
JPY medium term notes	98,460	(101,372)	(573)	(41,300)	(59,499)
Security deposits	19,016	(19,016)	(940)	(212)	(17,864)
Trade and other payables^	12,978	(12,978)	(12,978)	–	–
	674,276	(692,986)	(36,092)	(579,531)	(77,363)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– inflow	(66,653)	68,793	25,534	43,259	–
– outflow	64,756	(66,833)	(24,806)	(42,027)	–
Cross currency interest rate swaps (gross-settled)					
– inflow	(4,303)	4,441	1,513	2,928	–
– outflow	2,656	(2,741)	(934)	(1,807)	–
Interest rate swaps used for hedging (net-settled)	1,387	(1,432)	(957)	(475)	–
	(2,157)	2,228	350	1,878	–
	672,119	(690,758)	(35,742)	(577,653)	(77,363)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount $'000	Contractual cash flows $'000	<—— Cash flow —— Within 1 year $'000	1 to 5 years $'000	——> More than 5 years $'000
Trust					
2018					
Non-derivative financial liabilities					
S$ unsecured bank loans	**195,756**	**(207,246)**	**(5,003)**	**(202,243)**	**–**
JPY unsecured bank loans	**341,219**	**(345,806)**	**(1,615)**	**(289,578)**	**(54,613)**
JPY medium term notes	**146,208**	**(150,162)**	**(885)**	**(105,833)**	**(43,444)**
Security deposits	**43**	**(43)**	**(43)**	**–**	**–**
Trade and other payables^	**11,358**	**(11,358)**	**(11,358)**	**–**	**–**
	694,584	**(714,615)**	**(18,904)**	**(597,654)**	**(98,057)**
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– inflow	**(59,013)**	**60,896**	**26,399**	**34,497**	**–**
– outflow	**59,046**	**(60,923)**	**(26,461)**	**(34,462)**	**–**
Cross currency interest rate swaps (gross-settled)					
– inflow	**(1,558)**	**1,608**	**843**	**765**	**–**
– outflow	**4,581**	**(4,727)**	**(2,478)**	**(2,249)**	**–**
Interest rate swaps used for hedging (net-settled)	**1,017**	**(1,049)**	**(662)**	**(378)**	**(9)**
	4,073	**(4,195)**	**(2,359)**	**(1,827)**	**(9)**
	698,657	**(718,810)**	**(21,263)**	**(599,481)**	**(98,066)**
2017					
Non-derivative financial liabilities					
S$ unsecured bank loans	190,579	(199,988)	(19,346)	(180,642)	–
JPY unsecured bank loans	353,243	(359,632)	(2,255)	(357,377)	–
JPY medium term notes	98,460	(101,372)	(573)	(41,300)	(59,499)
Security deposits	35	(35)	–	(35)	–
Trade and other payables^	10,787	(10,787)	(10,787)	–	–
	653,104	(671,814)	(32,961)	(579,354)	(59,499)
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– inflow	(66,653)	68,793	25,534	43,259	–
– outflow	64,756	(66,833)	(24,806)	(42,027)	–
Cross currency interest rate swaps (gross-settled)					
– inflow	(4,303)	4,441	1,513	2,928	–
– outflow	2,656	(2,741)	(934)	(1,807)	–
Interest rate swaps used for hedging (net-settled)	1,387	(1,432)	(957)	(475)	–
	(2,157)	2,228	350	1,878	–
	650,947	(669,586)	(32,611)	(577,476)	(59,499)

^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 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 and utilised CCIRS to realign the Singapore dollar denominated loans back into effective JPY denominated loans to create a natural hedge for its JPY denominated investments and that are designated as net investment hedge.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

The Group's exposure to various foreign currencies (excluding the JPY denominated loans, JPY medium term notes and Singapore dollar denominated loans which were overlaid with cross currency interest rate swaps to realign it into effective JPY loans 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			
2018			
Cash and cash equivalents	**269**	**293**	**562**
Trade and other payables	**(584)**	**–**	**(584)**
Financial derivatives	**(59,222)**	**–**	**(59,222)**
Net exposure	**(59,537)**	**293**	**(59,244)**
2017			
Cash and cash equivalents	4,809	295	5,104
Trade and other payables	(581)	–	(581)
Financial derivatives	(65,071)	–	(65,071)
Net exposure	(60,843)	295	(60,548)

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			
2018			
Cash and cash equivalents	**269**	**20**	**289**
Trade and other payables	**(584)**	**–**	**(584)**
Loans and borrowings	**(488,535)**	**–**	**(488,535)**
Financial derivatives	**(59,222)**	**–**	**(59,222)**
Net exposure	**(548,072)**	**20**	**(548,052)**
2017			
Cash and cash equivalents	4,809	28	4,837
Trade and other payables	(581)	–	(581)
Loans and borrowings	(452,780)	–	(452,780)
Financial derivatives	(65,071)	–	(65,071)
Net exposure	(513,623)	28	(513,595)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 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	
	2018	**2017**
	$'000	**$'000**
Group		
JPY	**5,954**	6,084
MYR	**(29)**	(30)
Trust		
JPY	**54,807**	51,362
MYR	**(2)**	(3)

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 Singapore dollar denominated loans which were overlaid with cross currency interest rate swaps to realign it into effective JPY loans, and designated this as a net investment hedge. For the year ended 31 December 2018, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to $26.3 million loss (2017: $20.8 million gain).

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	
	2018	**2017**
	$'000	**$'000**
Fixed rate instrument		
Medium term notes	**146,320**	98,521
Variable rate instruments		
Interest rate swaps	**342,214**	334,853
Cross currency interest rate swaps	**125,188**	125,188
Loans and borrowings	**(538,402)**	(545,347)
	(71,000)	(85,306)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 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 statement of total return and Unitholders' funds.

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 2018				
Loans and borrowings	**(5,384)**	**5,384**	**–**	**–**
Interest rate swaps	**3,422**	**(3,422)**	**5,036**	**(2,792)**
Cross currency interest rate swaps	**1,252**	**(1,252)**	**2,583**	**(2,645)**
Cash flow sensitivity (net)	**(710)**	**710**	**7,619**	**(5,437)**
31 December 2017				
Loans and borrowings	(5,454)	5,454	–	–
Interest rate swaps	3,349	(3,349)	4,089	(5,092)
Cross currency interest rate swaps	1,252	(1,252)	3,637	(3,717)
Cash flow sensitivity (net)	(853)	853	7,726	(8,809)

Hedge accounting

Cash flow hedges

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity	
	Within 1 year	More than 1 year
Interest rate risk		
Cross currency interest rate swaps		
Net exposure ($'000)	–	125,188
Average fixed interest rate	–	0.75%
Interest rate swaps		
Net exposure ($'000)	145,452	196,762
Average fixed interest rate	0.31%	0.2%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

The amounts at the reporting date relating to items designated as hedged items were as follows:

	2018		
	Change in value used for calculating hedge ineffectiveness $'000	**Cash flow hedge reserve $'000**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'000**
Interest rate risk			
Variable-rate instruments	7,589	1,309	375

The following table provides a reconciliation by risk category of components of Unitholders' funds resulting from cash flow hedge accounting.

	2018 Hedging reserve $'000
Cash flow hedges	
At 1 January	2,733
Changes in fair value:	
Interest rate risk	(862)
Amounts reclassified to statement of total return:	
Interest rate risk	(562)
At 31 December	1,309

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

The amounts relating to items designated as hedging instruments were as follows:

	2018							
		Carrying amount		Line item in the statement of financial position where				
	Nominal amount $'000	Assets $'000	Liabilities $'000	the hedging instrument is included	the hedged item is included	Changes in the value of the hedging instrument recognised in Unitholders' funds $'000	Hedge ineffectiveness recognised in statement of total return $'000	Line item in statement of total return that includes hedge ineffectiveness
Interest rate risk								
Cross currency interest rate swaps	125,188	–	(3,023)	Financial derivatives	Loans and borrowings	726	–	Net change in fair value of financial derivatives
Interest rate swaps	342,214	–	(1,017)	Financial derivatives	Loans and borrowings	136	562	Net change in fair value of financial derivatives

Net investment hedges

The amounts related to items designated as hedging instruments were as follows:

	2018						
		Carrying amount					
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in Unitholders' funds $'000	Hedge ineffectiveness recognised in statement of total return $'000	Line item in statement of total return that includes hedge ineffectiveness
Foreign exchange denominated loans and borrowings	613,722	–	(612,341)	Loans and borrowings	(26,291)	–	N.A.

The amounts related to items designated as hedged items were as follows:

	2018		
	Change in value used for calculating hedge ineffectiveness $'000	Foreign currency translation reserve $'000	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied $'000
Net investment in SPEs with JPY functional currency	15,537	(28,627)	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

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 2018 was 36.1% (2017: 36.4%) 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 2018

23 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	Amortised cost $'000	Mandatorily at FVTPL $'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 2018										
Financial assets measured at fair value										
Forward foreign exchange contracts	6	–	281	–	–	281	–	281	–	281
Financial assets not measured at fair value										
Trade and other receivables*	7	10,492	–	–	–	10,492				
Cash and cash equivalents	8	22,102	–	–	–	22,102				
		32,594	–	–	–	32,594				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging		–	–	–	(3,023)	(3,023)	–	(3,023)	–	(3,023)
Forward foreign exchange contracts		–	(314)	–	–	(314)	–	(314)	–	(314)
Interest rate swaps used for hedging		–	–	–	(1,017)	(1,017)	–	(1,017)	–	(1,017)
	6	–	(314)	–	(4,040)	(4,354)				
Financial liabilities not measured at fair value										
Loans and borrowings										
- Unsecured bank loans		–	–	(536,975)	–	(536,975)				
- Medium term notes		–	–	(146,208)	–	(146,208)	–	(146,687)	–	(146,687)
Trade and other payables^		–	–	(14,025)	–	(14,025)				
Security deposits		–	–	(20,442)	–	(20,442)	–	–	(17,849)	(17,849)
		–	–	(717,650)	–	(717,650)				

* Excludes prepayments

^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount					Fair value			
	Note	Loans and receivables	Designated at fair value#	Other financial liabilities	Fair value – hedging instruments	Total carrying amount	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
31 December 2017										
Financial assets measured at fair value										
Forward foreign exchange contracts		–	1,897	–	–	1,897	–	1,897	–	1,897
Cross currency interest rate swaps used for hedging		–	–	–	1,647	1,647	–	1,647	–	1,647
	6	–	1,897	–	1,647	3,544				
Financial assets not measured at fair value										
Trade and other receivables*	7	10,155	–	–	–	10,155				
Cash and cash equivalents	8	25,720	–	–	–	25,720				
		35,875	–	–	–	35,875				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	6	–	–	–	(1,387)	(1,387)	–	(1,387)	–	(1,387)
Financial liabilities not measured at fair value										
Loans and borrowings										
- Unsecured bank loans		–	–	(543,822)	–	(543,822)				
- Medium term notes		–	–	(98,460)	–	(98,460)	–	(98,542)	–	(98,542)
Trade and other payables^		–	–	(12,978)	–	(12,978)				
Security deposits		–	–	(19,016)	–	(19,016)	–	–	(16,264)	(16,264)
		–	–	(674,276)	–	(674,276)				

* Excludes prepayments

^ Excludes advance rent received

\# Designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount					Fair value			
	Note	Amortised cost $'000	Mandatorily at FVTPL $'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 2018										
Financial assets measured at fair value										
Forward foreign exchange contracts	6	–	281	–	–	281	–	281	–	281
Financial assets not measured at fair value										
Trade and other receivables*	7	10,162	–	–	–	10,162				
Cash and cash equivalents	8	1,004	–	–	–	1,004				
		11,166	–	–	–	11,166				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging		–	–	–	(3,023)	(3,023)	–	(3,023)	–	(3,023)
Forward foreign exchange contracts		–	(314)	–	–	(314)	–	(314)	–	(314)
Interest rate swaps used for hedging		–	–	–	(1,017)	(1,017)	–	(1,017)	–	(1,017)
	6	–	(314)	–	(4,040)	(4,354)				
Financial liabilities not measured at fair value										
Loans and borrowings										
- Unsecured bank loans		–	–	(536,975)	–	(536,975)				
- Medium term notes		–	–	(146,208)	–	(146,208)	–	(146,687)	–	(146,687)
Trade and other payables^		–	–	(11,358)	–	(11,358)				
Security deposits		–	–	(43)	–	(43)	–	–	(43)	–
		–	–	(694,584)	–	(694,584)				

* Excludes prepayments

^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount					Fair value			
	Note	Loans and receivables	Designated at fair value#	Other financial liabilities	Fair value – hedging instruments	Total carrying amount	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trust										
31 December 2017										
Financial assets measured at fair value										
Forward foreign exchange contracts		–	1,897	–	–	1,897	–	1,897	–	1,897
Cross currency interest rate swaps used for hedging		–	–	–	1,647	1,647	–	1,647	–	1,647
	6	–	1,897	–	1,647	3,544				
Financial assets not measured at fair value										
Trade and other receivables*	7	9,858	–	–	–	9,858				
Cash and cash equivalents	8	4,936	–	–	–	4,936				
		14,794	–	–	–	14,794				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	6	–	–	–	(1,387)	(1,387)	–	(1,387)	–	(1,387)
Financial liabilities not measured at fair value										
Loans and borrowings										
- Unsecured bank loans		–	–	(543,822)	–	(543,822)				
- Medium term notes		–	–	(98,460)	–	(98,460)	–	(98,542)	–	(98,542)
Trade and other payables^		–	–	(10,787)	–	(10,787)				
Security deposits		–	–	(35)	–	(35)	–	–	(35)	–
		–	–	(653,104)	–	(653,104)				

* Excludes prepayments

^ Excludes advance rent received

\# Designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 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 swaps	*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 –1.01% (2017: 1.06%)
Medium term notes	The fair value is estimated considering recent quoted price in markets that are not active	Not applicable

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 Level 2

During the financial year ended 31 December 2018, there were no transfers between Level 1 and Level 2.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL RATIOS

	2018 %	2017 %
Ratio of expenses to weighted average net assets [1]		
– excluding performance component of Manager’s fees	**0.89**	0.91
– including performance component of Manager’s fees	**1.33**	1.35
Portfolio turnover rate [2]	**–**	–

[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.

25 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 2018

25 OPERATING SEGMENTS (CONT'D)

	Hospitals and Medical Centres		Nursing Homes		Pharmaceutical Manufacturing and Distribution Facility		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue and expenses								
Gross revenue	**67,993**	66,867	**43,217**	41,373	**1,628**	1,641	**112,838**	109,881
Net property income	**64,709**	63,615	**39,167**	37,497	**1,528**	1,537	**105,404**	102,649
Interest income	**6**	–	**–**	–	**–**	–	**6**	–
Foreign exchange gain	**267**	27	**694**	1,519	**30**	37	**991**	1,583
Non-property expenses	**(7,802)**	(7,830)	**(6,506)**	(6,088)	**(255)**	(288)	**(14,563)**	(14,206)
Finance costs	**(1,524)**	(1,834)	**(4,915)**	(5,756)	**(295)**	(362)	**(6,734)**	(7,952)
Total return before change in fair value of financial derivatives, investment properties and gain on disposal of investment properties	**55,656**	53,978	**28,440**	27,172	**1,008**	924	**85,104**	82,074
Net change in fair value of financial derivatives	**–**	–	**(2,150)**	1,836	**(106)**	118	**(2,256)**	1,954
Net change in fair value of investment properties	**67,398**	26,782	**10,324**	(854)	**166**	42	**77,888**	25,970
Total return before income tax	**123,054**	80,760	**36,614**	28,154	**1,068**	1,084	**160,736**	109,998
Income tax expense	**(53)**	(62)	**(8,507)**	(8,224)	**(220)**	(217)	**(8,780)**	(8,503)
Total return after income tax	**123,001**	80,698	**28,107**	19,930	**848**	867	**151,956**	101,495
Assets and liabilities								
Reportable segment assets	**1,179,711**	1,112,460	**683,207**	629,469	**31,114**	29,222	**1,894,032**	1,771,151
Reportable segment liabilities	**82,099**	76,377	**637,022**	595,157	**38,599**	34,338	**757,720**	705,872
Other segment information								
Capital expenditure	**4,861**	4,221	**2,248**	1,918	**87**	77	**7,196**	6,216

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

25 OPERATING SEGMENTS (CONT'D)

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

	2018 $'000	2017 $'000
Revenue		
Total revenue for reportable segments	**112,838**	109,881
Total return before income tax		
Total return for reportable segments	**160,736**	109,998
Unallocated amounts:		
– Other corporate expenses	**(23)**	(31)
Consolidated return before income tax	**160,713**	109,967
Assets		
Total assets for reportable segments	**1,894,032**	1,771,151
Other unallocated amounts	**96**	70
Consolidated total assets	**1,894,128**	1,771,221
Liabilities		
Total liabilities for reportable segments	**757,720**	705,872
Other unallocated amounts	**15**	9
Consolidated total liabilities	**757,735**	705,881

Geographical information

	2018 $'000	2017 $'000
Revenue		
Singapore	**67,471**	66,365
Japan	**44,845**	43,014
Malaysia	**522**	502
	112,838	109,881
Non-current assets*		
Singapore	**1,160,400**	1,088,200
Japan	**692,751**	635,556
Malaysia	**7,383**	7,307
	1,860,534	1,731,063

* Non-current assets presented consist of investment properties

26 SUBSEQUENT EVENTS

On 28 January 2019, the Manager declared a distribution of 3.28 cents per unit in respect of the period 1 October 2018 to 31 December 2018 which was paid on 28 February 2019.

On 25 February 2019, the Group entered into two 6-year committed and unsecured term loan facilities amounted to JPY7,898 million (approximately $97.9 million). On 8 March 2019, the two facilities were fully drawn down to term out the JPY floating rate loans due in 2020.

ADDITIONAL INFORMATION

INTERESTED PERSON 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 Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) $'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)[1] $'000
Parkway Hospitals Singapore Pte. Ltd.		
– Property rental income	67,471	Nil
Gleneagles Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.)		
– Property rental income	327	Nil
Parkway Trust Management Limited		
– Manager's management fees	10,186	Nil
– Manager's acquisition fees	185	Nil
– Travelling expenses reimbursed to the Manager	305	Nil
HSBC Institutional Trust Services (Singapore) Limited		
– Trustee's fees	309	Nil

1 Parkway Life REIT does not have a Unitholders' mandate.

Except as disclosed above, there were no additional interested person transactions (excluding transactions of less than $100,000 each) entered into up to and including 31 December 2018.

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 22 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.

STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2019

ISSUED UNITS

There were 605,002,386 Units (voting rights: one vote per Unit) issued in Parkway Life REIT as at 1 March 2019.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	180	2.08	7,511	0.00
100 – 1,000	2,538	29.33	1,676,256	0.28
1,001 – 10,000	4,637	53.58	20,927,854	3.46
10,001 – 1,000,000	1,281	14.80	54,806,940	9.06
1,000,001 and above	18	0.21	527,583,825	87.20
Total	**8,654**	**100.00**	**605,002,386**	**100.00**

Country	No. of Unitholders	%	No. of Units	%
Singapore	6,755	78.06	589,921,107	97.51
Malaysia	168	1.94	2,048,633	0.34
Others	1,731	20.00	13,032,646	2.15
Total	**8,654**	**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	112,880,816	18.66
3	DBS Nominees (Private) Limited	93,624,615	15.48
4	HSBC (Singapore) Nominees Pte Ltd	45,780,458	7.57
5	DBSN Services Pte. Ltd.	20,598,191	3.40
6	Raffles Nominees (Pte.) Limited	19,585,661	3.24
7	United Overseas Bank Nominees (Private) Limited	3,164,223	0.52
8	BPSS Nominees Singapore (Pte.) Ltd.	2,908,006	0.48
9	Parkway Trust Management Limited	2,279,386	0.38
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,051,880	0.34
11	DB Nominees (Singapore) Pte Ltd	1,745,814	0.29
12	OCBC Nominees Singapore Private Limited	1,650,262	0.27
13	Lim Cheok Peng	1,559,000	0.26
14	Phillip Securities Pte Ltd	1,556,762	0.26
15	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,341,876	0.22
16	UOB Kay Hian Private Limited	1,316,700	0.22
17	DBS Vickers Securities (Singapore) Pte Ltd	1,211,275	0.20
18	ABN Amro Clearing Bank N.V.	1,071,900	0.18
19	Maybank Kim Eng Securities Pte. Ltd.	982,604	0.16
20	BNP Paribas Nominees Singapore Pte. Ltd.	873,600	0.14
	Total	**529,440,029**	**87.52**

STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2019

DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2019

No.	Name of Directors	Units Held	Units in which the Directors are deemed to have an interest
1.	Ho Kian Guan	–	–
2.	Dr. Jennifer Lee Gek Choo	–	–
3.	Cheah Sui Ling	–	–
4.	Dr. Tan See Leng	–	–
5.	Dr. Lim Suet Wun	–	–
6.	Rossana Annizah Binti Ahmad Rashid	–	–
7.	Low Soon Teck	–	–
8.	Yong Yean Chau	–	666,700

SUBSTANTIAL UNITHOLDERS AS AT 1 MARCH 2019

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

No.	Name of Substantial Unitholders		Direct Interest	Deemed Interest
1.	Khazanah Nasional Berhad	Note 1	–	215,755,601
2.	Pulau Memutik Ventures Sdn. Bhd.	Note 2	–	215,755,601
3.	IHH Healthcare Berhad	Note 3	–	215,755,601
4.	Integrated Healthcare Holdings Limited	Note 4	219,215	215,536,386
5.	Parkway Pantai Limited	Note 5	–	215,536,386
6.	Parkway Holdings Limited	Note 6	–	215,536,386
7.	Parkway Investments Pte Ltd	–	213,257,000	–
8.	Mitsui & Co. Ltd.	Note 7	–	216,596,414
9.	MBK Healthcare Partners Limited	Note 8	–	216,596,414
10.	Cohen & Steers, Inc.	Note 9	–	36,350,281

Note 1 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). Khazanah Nasional Berhad ("Khazanah"), through its wholly-owned subsidiary, Pulau Memutik Ventures Sdn. Bhd. ("PMVSB"), holds more than 20% of the total issued share capital of IHH. Accordingly, Khazanah has a deemed interest in units held by IHHL.

Note 2 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). Pulau Memutik Ventures Sdn. Bhd. ("PMVSB") has a deemed interest in units held by IHH by virtue of holding more than 20% of the total issued share capital of IHH. Accordingly, PMVSB has a deemed interest in units held by IHHL.

Note 3 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 4 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 5 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.

STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2019

Note 6 (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 2,279,386 units respectively.

Note 7 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 8 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 9 Cohen & Steers, Inc. is deemed interested in the shares held by its wholly-owned subsidiary, Cohen & Steers Capital Management, Inc.

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 2019, approximately 64.23% 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 2019.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the holders of units of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**", and the holders of units of Parkway Life REIT, "**Unitholders**") will be held at Gleneagles Hospital, Lecture Theatre, Level 3, 6A Napier Road, Singapore 258500 on Friday, 26 April 2019 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 2018 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) Mr. Ho Kian Guan (**Ordinary Resolution 3**); and

   (b) Mr. Low Soon Teck (**Ordinary Resolution 4**).

   (Please see Explanatory Notes).

AS SPECIAL BUSINESS

4. That:

   (a) approval be and is hereby given to amend the trust deed constituting Parkway Life REIT (as amended and restated) (the "**Trust Deed**") to include provisions regarding electronic communications of notices and documents to Unitholders in the manner set out in Annex A of the appendix to the Notice of Annual General Meeting (the "**Appendix**") dated 29 March 2019 (the "**Proposed Electronic Communications Trust Deed Supplement**"); and

   (b) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee, may consider expedient or necessary or in the interests of Parkway Life REIT to give effect to the Proposed Electronic Communications Trust Deed Supplement. (**Extraordinary 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
29 March 2019

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 23 April 2019, 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 and 4

(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 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/her appointment as a Director at the next annual general meeting of Parkway Life REIT immediately following his/her 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.

NOTICE OF ANNUAL GENERAL MEETING

(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 2018.

(6) Upon endorsement, each of Mr. Ho Kian Guan and Mr. Low Soon Teck will continue to serve as a Director on the Board. Mr. Ho Kian Guan will continue to serve as an Independent Director. Mr. Low Soon Teck will continue to serve as a Non-Executive Director.

Extraordinary Resolution 5

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the "**Deemed Consent Regime**" and the "**Implied Consent Regime**", respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the "**Companies Act Electronic Communications Amendments**"). The SGX-ST has recently amended the listing rules of the SGX-ST (the "**Listing Rules**") to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or Unitholders, in the case of a listed real estate investment trust ("**REIT**") such as Parkway Life REIT) electronically with the express, deemed or implied consent of shareholders.

Although Parkway Life REIT is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a listed REIT. Accordingly, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to Parkway Life REIT.

(See the Appendix in relation to the Proposed Electronic Communications Trust Deed Supplement for further details.)

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
(constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007 (as amended))

PROXY FORM
ANNUAL GENERAL MEETING

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 29 March 2019.

I/We ______________________________ (Name(s) and NRIC/Passport Number(s)/Company Registration Number) of ______________________________ (Address)

being a Unitholder/Unitholders of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Unitholdings (%)	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Unitholdings (%)	
			No. of Units	%

or, both of whom failing, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Annual General Meeting of Parkway Life REIT (the "**Meeting**") to be held at Gleneagles Hospital, Lecture Theatre, Level 3, 6A Napier Road, Singapore 258500 on Friday, 26 April 2019 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.	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 2018 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 Mr. Ho Kian Guan as Director.		
4.	To endorse the appointment of Mr. Low Soon Teck as Director.		
	SPECIAL BUSINESS		
5.	To approve the Proposed Electronic Communications Trust Deed Supplement.		

* 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 ____________________ 2019.

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 23 April 2019, 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.

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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. Ho Kian Guan
Independent Director, Chairman of the Board of Directors and Member of the Audit Committee

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

Ms. Cheah Sui Ling
Independent Director, Chairman of the Audit Committee and Member of the Nominating and Remuneration Committee

Dr. Tan See Leng
Non-Executive Director, Member of the Nominating and Remuneration Committee

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
Ms. Cheah Sui Ling
Chairman

Mr. Ho Kian Guan
Member

Dr. Jennifer Lee Gek Choo
Member

NOMINATING AND REMUNERATION COMMITTEE
Dr. Jennifer Lee Gek Choo
Chairman

Ms. Cheah Sui Ling
Member

Dr. Tan See Leng
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
Phone: (65) 6658 6667

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:
Yap Wee Kee
(Appointed since financial year ended 31 December 2018)

UNIT REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

SGX CODE
ParkwayLife REIT

ParkwayLife REIT

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