ParkwayLife REIT

Creating Enduring Value

ANNUAL REPORT 2020

CONTENTS

CORPORATE PROFILE

Parkway Life Real Estate Investment Trust ("PLife REIT") is one of Asia's largest listed healthcare REITs by asset size.

It invests in income-producing real estate and real estate-related assets that are used primarily for healthcare and healthcare-related purposes (including, but not limited to, hospitals, nursing homes, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices).

PLife REIT owns a well-diversified portfolio of 54 properties with a total portfolio size of approximately S$2.02 billion as at 31 December 2020. It owns the largest portfolio of strategically located private hospitals in Singapore comprising Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital. In addition, it has 50 assets located in Japan including 49 high quality nursing home and care facility properties in various prefectures of Japan and one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture. It also owns strata-titled units/lots in MOB Specialist Clinics, Kuala Lumpur in Malaysia.

Managed by Parkway Trust Management Limited, PLife REIT has been listed on the Mainboard of the Singapore Stock Exchange since August 2007.

MISSION

To deliver regular and stable distributions and achieve long-term growth for our Unitholders

VISION

To become the leading healthcare REIT and the Partner of Choice for healthcare expansion

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.

STRENGTH OF RESILIENCE

With a portfolio of 54 high-quality properties, PLife REIT remains proactive in maintaining a strong capital structure which is enhanced with long-term master leases, triple net lease arrangement and favourable lease structure, enabling us to protect the stability of our income streams.

Bon Sejour Yokohama Shin-Yamashita

Total Portfolio Value[1]

S$2.02
BILLION

Number of Properties

54

[1] Based on latest appraised values (excludes adjustments for the right-of-use assets).

MESSAGE TO UNITHOLDERS

> Despite the extreme uncertainties that enshrouded 2020, PLife REIT demonstrated resilience and achieved strategic progress, by staying focused on preserving its defensive traits which have served it well over the years. Its core fundamentals remain cemented on a business model that is flexible in adapting to changing market conditions, while continuing to deliver sustainable long-term returns to its Unitholders.

Mr Ho Kian Guan, Chairman

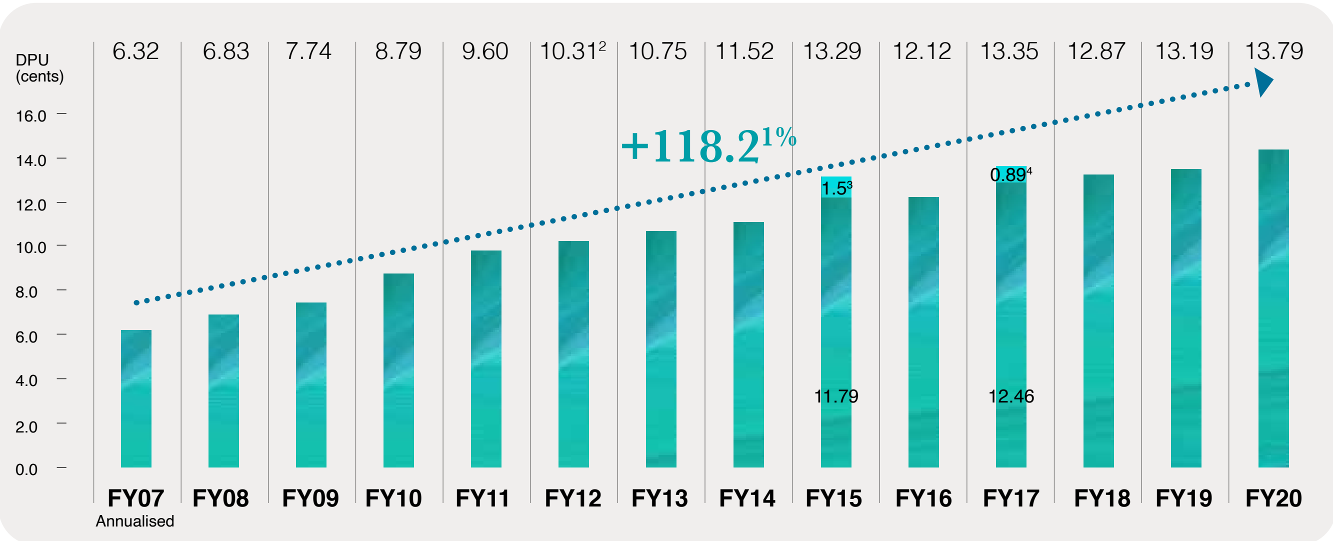
Dear Unitholders,

2020 was a year like no other. The COVID-19 pandemic has brought on wide ranging impact globally with uncertainties that continue to put all business models to the test. As the effects of COVID-19 reverberated across diverse sectors and industries, including healthcare, PLife REIT stayed undeterred and cautiously calibrated its strategies to create enduring value and delivered yet another year of resilient growth for its Unitholders.

STRENGTH OF RESILENCE

For the financial year ended 31 December 2020 ("FY2020"), PLife REIT recorded a full year Distribution per Unit ("DPU") of 13.79 Singapore cents. Driven by growth from its recurring operations, the DPU increased by 4.5% in FY2020 over FY2019, registering a growth of over two times since the REIT's listing in 2007.

Net Asset Value increased to S$1.96 per Unit as at 31 December 2020, from S$1.95 per Unit a year ago.



Note:

1 Since IPO till YTD 4Q 2020

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

Gleneagles Hospital

NET ASSET VALUE PER UNIT INCREASED TO

S$1.96

Year 2020 started off on a rough note marked by the rapidly evolving COVID-19 pandemic and its unprecedented disruptions to the global economy which led to governments worldwide rolling out rounds of massive fiscal and monetary measures. At the onset, with heightened economic and financial risks and recognising the challenging operating environment ahead, PLife REIT tightened its capital and financial management to reinforce its liquidity position and ability to deal with interest rate and foreign exchange rate risks.

During the year, PLife REIT successfully refinanced all its maturing debts due in 2021, mitigating near term refinancing risks with no debt refinancing requirement for PLife REIT till 2022. With its Japan portfolio contributing 42.5% of PLife REIT's revenue, emphasis continues to be on prudent financial risk management to deal with the exposure to interest rate risk and foreign currency risk. PLife REIT consistently adopts a natural hedge strategy for its foreign investments to maintain a stable net asset value. During the year, the full JPY net income hedges were further extended till 2Q 2025 to better shield against JPY currency volatilities and approximately 87% of its interest rate exposure were hedged.

Despite ongoing uncertainties in the macro economy and volatilities in the financial markets, PLife REIT remains in a stable financial position. Back by a strong capital structure, PLife REIT continues to be on lookout for selective strategic acquisitions with prudence and vision. In December 2020, leveraging on its strong strategic partnerships, PLife REIT acquired a nursing home located in the Greater Tokyo Region from one of its largest nursing home operators (Habitation Group) for JPY1.65 billion (S$21.2 million[1]). Acquired at approximately 4.6% below valuation with expected net property yield of 6.4%, the acquisition further strengthened its presence in Japan and delivered immediate yield growth to PLife REIT.

VALUE IN ALLIANCE

Since the beginning of the COVID-19 outbreak, as the pernicious effect of COVID-19 placed increasing pressures on all businesses, PLife REIT recognised that it was imperative to stand in solidarity with its tenants to ride through this unprecedented challenging period together. In line with PLife REIT's ethos of working in collaboration with its strategic partners for sustainable long-term relationships, S$1.7 million was set aside to provide targeted assistance and support measures for its affected tenants, as needed.

Throughout FY2020 and even as the COVID-19 situation continues to evolve, all of PLife REIT's tenants continue to be operational with enforcement of strict precautionary infection control measure to keep their employees, patients and nursing care residents safe.

The health and safety of the tenants, employees, patients and care home residents have always been a priority and especially so during such tough times. PLife REIT will continue to monitor the COVID-19 situation closely, adapt its tenant support measures and review its portfolio revitalising

1 Based on the exchange rate of S$1.00 = JPY78.00 as stated in the announcement released on 10 December 2020

MESSAGE TO UNITHOLDERS

Palmary Inn Akashi

strategies as needed. This places PLife REIT and its strategic partners in a good position to ride on strong and sustained growth path when the COVID-19 pandemic subsides. In addition, PLife REIT will continue to build on strong long-term relationship with strategic partners with synergistic strategies to ensure that it continues to identify strong quality assets for acquisition growth, which will lead to sustainable returns for its Unitholders.

ENDURING IN TRUST

Despite the extreme uncertainties that enshrouded 2020, PLife REIT demonstrated resilience and achieved strategic progress, by staying focused on preserving its defensive traits which has served it well over the years. Its core fundamentals remain cemented on a business model that is flexible in adapting to changing market conditions, while continuing to deliver sustainable long-term returns to its Unitholders.

During the year, PLife REIT's strong position as one of the largest listed healthcare REITs in Asia was affirmed when it was included in the FTSE EPRA NAREIT Global Developed Index. The inclusion in the index enhances the trading liquidity and visibility to investors and index funds worldwide, and a recognition of PLife REIT's long-term commitment to growth and value for its Unitholders as well as its resilience despite on-going uncertainties in the macro economy.

As at 31 December 2020, PLife REIT's assets under management stood at 54 properties valued at approximately S$2.02 billion. With 95% of its portfolio having downside revenue protection[2], CPI-linked revision formula pegged to 58% of its portfolio and its WALE for its entire portfolio at 5.74 years, PLife REIT's favourable lease structures continue to provide steady rental growth whilst protecting revenue stability amid uncertainties in the macro economy.

PLife REIT continues to offer one of the strongest earnings visibility among S-REITs. Secured with diversified funding sources and well spread-out debt maturity profile to 2027, its weighted average term to maturity was extended to 3.5 years post refinancing. With one of the lowest all-in cost of debt among its S-REIT peers at 0.53%, PLife REIT had also improved its interest cover from 14.1 times in FY2019 to 18.1 times in FY2020. Gearing remained optimal at 38.5%, well within the regulatory gearing limit of 50%.

Against a backdrop of volatility in the macro economy and tepid performance in the financial markets, PLife REIT will continue to focus on driving resilient returns backed by solid financial management. The healthcare industry continues to remain critically essential in a rapidly aging population and with greater demand for better quality healthcare and global aged care services. PLife REIT's portfolio of 54 high-quality healthcare and healthcare-related assets places it in a good position to benefit from the resilient growth of the healthcare industry in the Asia Pacific region.

Nonetheless, as uncertainties surrounding global economies continue to pose challenges for most businesses, PLife REIT will remain prudent as it strategically navigates for growth opportunities.

ACKNOWLEDGEMENTS

We would like to extend our sincere appreciation to our Board members for their invaluable guidance and contributions. We would especially like to thank our Management team and all staff for their hard work, and dedication in delivering the steady value and growth of PLife REIT, amidst challenging times.

Last but not least, we would like to thank our Unitholders, business partners, lessees, and associates for their continued support of, and trust in, PLife REIT. We look forward to the recovery from the COVID-19 pandemic situation and we wish for all to stay safe and healthy.

Ho Kian Guan
Chairman

Yong Yean Chau
Chief Executive Officer and Executive Director

[2] Based on existing lease agreements and subject to applicable laws.

CORPORATE DEVELOPMENT

In 2020, amidst the upheavals and uncertainties from ongoing global trade and geopolitics tensions coupled with unprecedented global economic disruptions arising from the COVID-19 pandemic, PLife REIT remained a resilient and defensive haven for investors.

Maintaining a strong focus on delivering sustainable growth and value for its Unitholders even during challenging times, PLife REIT prudently strengthened its core fundamentals through the disciplined implementation of its key growth strategies 'Targeted Investment', 'Proactive Asset Management' and 'Dynamic Capital and Financial Management'.

STRONG CAPITAL STRUCTURE TO SUPPORT STRATEGIC GROWTH

In 2020, to mitigate refinancing risks, PLife REIT successfully secured loan facilities to term out all near-term maturing debts, with no debt refinancing needs till 2022.

On the back of heightened volatility induced by COVID-19, PLife REIT continued its prudent financial risk management to better manage the interest rate risk and foreign exchange risk in FY2020. Interest rate risk is managed on an ongoing basis by largely hedging long-term committed borrowings using interest rate hedging financial instruments or issuance of fixed rate notes. This strengthens Parkway Life REIT's resilience against potential interest rate hikes. Foreign exchange risk is managed by adopting a natural hedge strategy for the Japanese investments to maintain a stable net asset value and putting in place Japanese Yen forward contracts to shield against Japanese Yen currency volatility.

In 1Q 2020, capitalising on the strengthening of the JPY, PLife REIT extended its JPY net income hedges for an additional year, providing the REIT with a 100% shield against JPY currency volatility till 2Q 2025. In addition, with 87% of its interest rate exposure hedged, PLife REIT remains largely protected from continuing interest rate volatility.

The series of financial initiatives during the year had equipped PLife REIT with a strong financial position to support its growth strategies. Gearing remained optimal at 38.5% with interest cover ratio at 18.1 times. Post-refinancing, PLife REIT's debt maturity profile and weighted average term to maturity were extended to 2027 and 3.5 years respectively.

In 4Q 2020, PLife REIT fortified its Japan portfolio with the acquisition of a Japan nursing home in the Greater Tokyo Region from the Habitation Group for JPY 1.65 billion (S$21.2 million). Acquired at 4.6% below valuation and with a net property yield of 6.4%, the acquisition was attractive and delivered immediate yield accretion to the REIT. Well located in the residential area of Kamagaya City within the Chiba Prefecture, the property is easily accessible via Shin-Kamagaya Station, which is approximately a 40-minute train ride from Tokyo Station. Secured with a fresh 20-year master lease agreement with the operator Fuyo Shoji Kabushiki Kasha (a wholly-owned subsidiary of the Habitation Group which is PLife REIT's largest nursing home operator in Japan), the acquisition deepened PLife REIT's working relationship with the Habitation Group and extended the weighted average lease expiry for PLife REIT's Japan portfolio to 11.29 years as at 31 December 2020.

POSITION OF RESILIENCE AND STRENGTH

The COVID-19 pandemic which rapidly spread worldwide had resulted in a negative economic impact for countries all over the world. Likewise, for PLife REIT, our key markets of Singapore, Japan and Malaysia were not spared, with unprecedented stress and hardship experienced by most businesses and sectors including healthcare. In such challenging times, PLife REIT stood in solidarity with its tenants to ride through the tough period together. In line with PLife REIT's ethos of working in collaboration with its strategic partners for sustainable long-term relationships, S$1.7 million was set aside to provide targeted assistance and support measures for affected tenants, as needed. To maintain its agility to deal with challenging situations as they arise and to provide timely support, PLife REIT has been proactively monitoring the COVID-19 situation and maintaining close communications with all its tenants and strategic partners since the onset of the outbreak. Throughout the COVID-19 pandemic, all its properties remained operational with its tenants putting in place stringent precautionary measures to safeguard the safety of the staff, residents, patients and visitors. While the road to recovery of the COVID-19 situation remains uncertain, PLife REIT continues to proactively review the operational needs of its tenants and work on its portfolio revitalising strategies to enhance portfolio and revenue sustainability in the long term so that PLife REIT and its strategic partners can recover from a position of strength when the COVID-19 situation abates.

On 18 September 2020, PLife REIT reached a significant milestone with its inclusion into the FTSE EPRA NAREIT Global Developed Index[1]. An index designed to track the performance of listed real estate companies and REITs worldwide, it enhances PLife REIT's trading liquidity and visibility to investors and index funds worldwide. This bears testament towards PLife REIT's commitment in achieving long-term growth and value for its unitholders, highlighting its resilience despite the on-going uncertainties in the macro economy.

[1] The FTSE EPRA NAREIT Global Developed Index incorporates REITS and Real Estate Holding and Development companies is developed by FTSE Russell in collaboration with the European Public Real Estate Association (EPRA), the European association for listed real estate, as well as the National Association of Real Estate Investment Trusts (NAREIT), a U.S.-based association for REITs and publicly traded real estate companies.

MARKET REVIEW AND OUTLOOK

AN UNEVEN ECONOMIC RECOVERY

The outbreak of the COVID-19 pandemic in 2020 has plunged the world into many unprecedented global challenges that has demanded action on many fronts. It has driven governments across the globe to operate in a context of radical uncertainty, facing difficult trade-offs given the health, economic and social challenges it raises. The pandemic has severely disrupted our daily routine and global economic activities.

The global economy is now entering the early recovery phase of the business cycle following months of lockdown. The development and implementation of the COVID-19 vaccine in the late 2020 have also provided a much-needed impetus to the markets.

In its October 2020 report, the International Monetary Fund (IMF)[1] projected a global economic contraction of 4.4% in 2020, followed by a rebound to 5.2% growth in 2021. The projected improved outlook is mainly driven by the stronger-than-expected growth in the large and advanced economies.

For Asia, the IMF[2] downgraded its growth forecast to –2.2% in 2020, due to steep contraction in the key emerging markets – India, the Philippines and Malaysia. On the other hand, China's outlook, being the notable exception in Asia, was revised up to 1.9%. Asian advanced economies are also expected to shrink, albeit by less than previously projected. These reflect the faster pickup in activity following earlier exit from lockdowns. Overall, the Asia and Pacific region is projected to grow by 6.9% in 2021 with activities beginning to normalise in the badly hit emerging market economies. Notwithstanding the foregoing, the region's return to pre-pandemic's capacity is likely to be sluggish in the medium term due to scarring effects in the labour markets and uncertainty in the global trade-led recovery.

Amidst the volatile macroeconomic landscape, PLife REIT has maintained its growth momentum and delivered a steady capital appreciation throughout the year. Moving forward, the REIT will continue to ride on the growth of the sector to remain an attractive investment proposition.

DEMOGRAPHIC-DRIVEN DEMAND FOR HEALTHCARE: JAPAN

Japan's economy had resumed growth in Q3 2020, after registering three consecutive quarters of contraction[3] whilst struggling with the pre-COVID-19 stagnant economy, the impact of the consumption tax hike and the outbreak of the pandemic.

1 World Economic Outlook: A Long and Difficult Ascent, IMF, October 2020.
2 Regional Economic Outlook for Asia and Pacific Region: Navigating the Pandemic: A Multispeed Recovery in Asia, IMF, October 2020.
3 Japan's July-September GDP growth rate estimated at 18.4%, The Japan Times, 3 November 2020.

Amidst the challenging times, Yoshihide Suga took office as Japan's new Prime Minister in the same year. Promising to overcome the pandemic crisis and continue with his predecessor Shinzo Abe's 'Abenomics' of fiscal spending, monetary easing and structural reforms, the new Suga-led administration had approved and implemented a stimulus package of 73.6 trillion yen, to help the virus-hit sectors and boost the economy towards the recovery track. This is the third stimulus package in 2020, following two previous packages worth 117 trillion each.[4] The new package is estimated to boost Japan's real gross domestic product by 3.6%.[5]

Against the backdrop of the overall economy, strong demand for healthcare is expected to continue. The proportion of population aged 65 or older in Japan makes up approximately 29% of the total population, and is estimated to reach 35% by 2040.[6]

Challenged by the rapidly ageing society, increasing expenditures and labour shortages in the healthcare sector, various initiatives have been implemented over the years to safeguard the system's viability. This includes the Community-based Integrated Care System that aims to shift from hospital to community and home-based care delivery, as well as the new visa system to allow more migrant workers into Japan to ease the labour crunch. The new Suga-led government is also actively encouraging digitalisation and bolder embrace of new technologies to transform the healthcare industry. Moving forward, more legislative reforms are expected to be implemented to provide relief to the sector.

Overall, Japan has fared well in managing COVID-19 especially given its aging population. Despite having a relatively high percentage of elderly living in nursing facilities, the share of COVID-19 deaths in care homes remains much lower than the western nations. This is largely attributed to the great care Japan's elderly care facilities have taken to protect the elderly, with strong measures and high standards of hygiene to prevent infections.[7] Following the vaccine development, the government has sealed a contract for 120 million doses from Pfizer BioNTech, enough for approximately half of the population, by the end of June. The cost of vaccination for residents will be fully covered of which medical personnels, followed by elderly, will get top priority to receive the vaccine.[8]

Nonetheless, as with the rest of the world, Japan's healthcare sector will continue to grapple with the outbreak of the COVID-19 pandemic in 2021. The recent economic stimulus packages implemented that include financial support for medical institutions and facilities for the elderly will hopefully aid to ease the impact to the sector.

With its portfolio of 50 high quality nursing home and care facility properties across the prefectures, PLife REIT has built a strong presence in Japan. Moving forward, it is well-positioned to benefit from the government initiatives and opportunities in the silver economy of the nation.

IMPROVING ACCESS, AFFORDABILITY, AND QUALITY IN SINGAPORE

In 2020, the healthcare industry in Singapore has undoubtedly been plagued with the outbreak of the COVID-19 pandemic. While the situation in Singapore has been largely under control, strict measures are expected to continue into the coming year to avoid resurgence of another wave of the virus. Following the development and approval of vaccines, Singapore has been procuring and rolling out the vaccinations progressively. The vaccines will be free for all Singaporeans and long-term residents.[9] In addition,

4 Japan approves 73.6t-yen stimulus package, The Business Times, 9 December 2020.
5 Japan Cabinet OKs 73.6 tril yen new stimulus to fight virus, Kyodo News, 8 December 2020.
6 Older people account for record 28.7% of Japan's population, The Japan Times, 21 September 2020.
7 Japan has the world's oldest population. Yet it dodged a coronavirus crisis at elder-care facilities, The Washington Post, 30 August 2020.
8 Japan seeks mid-February Pfizer vaccine approval, minister says, The Japan Times, 16 January 2021.
9 COVID-19 vaccines will be free for all Singaporeans; vaccinations recommended but voluntary for adults, The Straits Times, 14 December 2020.

MARKET REVIEW AND OUTLOOK

recognising the higher vulnerability of the older population to the virus, the government had promised for the elderly to be given top priority for vaccination and has estimated to inoculate everyone by the third quarter of 2021.[10]

Whilst combating the COVID-19 pandemic, the government remains cognizant of the demographic pressures. Faced with increasing life expectancy and low fertility rates, Singapore's proportion of resident population aged 65 or older has risen rapidly to 15.2% in 2020.[11] The life expectancy of Singaporeans has also increased over the last decade to approximately 84 years old.[12] This demographic shift has given rise to growing demand for accessibility to affordable and quality healthcare services by the seniors, creating more opportunities in the industry.

Over the years, as the population ages and grows, Singapore has tripled its healthcare expenditure from S$4 billion a year in 2010 to about S$12 billion in 2019.[13] For financial year 2021, the government has budgeted S$18.8 billion, 13.2% higher than the previous year, to cater to the growth in patient subsidies and opening of new facilities. The higher budget also takes into account the continued funding and contingency provision for the prevention, containment and control of COVID-19.[14]

In addition, the Ministry of Health (MOH) has announced the expansion of the healthcare capacity in the east of Singapore with a new hospital at Bedok North, targeted to be ready in 2030.[15] The total number of polyclinics across the island will also be increased to 32 by 2030 after the addition of 12 more polyclinics.[16] To support affordable and sustainable long-term care, three new initiatives were also launched in 2020 – Elderfund, Careshield Life and MediSave.

Largely fuelled by the increased government spending, Singapore's healthcare market is expected to grow to S$29.8 billion in 2020, a 9% jump from S$27.3 billion in 2019, and well over double to S$68.7 billion by 2029, according to Fitch Solutions.[17] The hike is also attributed to Singaporeans' increased use of healthcare services, given the ageing population and a trend towards earlier diagnosis of conditions, closer monitoring and better follow-ups.

For PLife REIT, Singapore is a home base. With strong government support and its quality medical care assets, the REIT is strategically positioned to ride the growth of Singapore's healthcare story and leverage on its core expertise as it seeks out opportunities to meet growing demand.

10 Details on S'pore's COVID-19 vaccination programme could be released by January: Lawrence Wong, The Straits Times, 21 December 2020.
11 Department of Statistics Singapore, September 2020.
12 Department of Statistics Singapore, September 2020.
13 Singapore Budget 2020: Building a caring and inclusive home for all Singaporeans, The Straits Times, 20 February 2020.
14 Analysis of Revenue and Expenditure Financial Year 2021, Government of Singapore, 16 February 2021.
15 New hospital at Bedok North to open 'around 2030': MOH, CNA Singapore, 13 November 2020.
16 MOH unveils plans for new hospital, youth mental health service and sites for two new polyclinics, TODAY, 5 March 2020.
17 Singapore healthcare market set to grow to S29.8b this year: Fitch Solutions, The Straits Times, 13 March 2020.

MALAYSIA, A RISING HEALTHCARE GIANT IN ASEAN

The medical tourism market in Malaysia is widely recognised as one of the most rapidly expanding sectors of the country, growing at a compound annual growth rate of 15% since 2011. In 2019, Malaysia attracted 1.3 million medical tourists and has been ranked first globally for having the highest volume of medical tourist arrivals.[18]

However, as with the other sectors, the outbreak of the COVID-19 pandemic has dampened Malaysia's prospect as a leading regional medical tourism hub. According to the Malaysian Healthcare Travel Council (MHTC)[19], the nation's medical tourism revenue is estimated to decline by up to 75% in 2020. Moving forward, medical tourism is forecasted to bring RM800 million revenue in 2021. This is a slight increase from the previous year but still far short of the RM1.7 billion the industry earned in 2019. With travel restrictions in place as well as changes in consumer behaviour, MHTC expects the healthcare travel market to be smaller in 2020 and beyond.

To gear the medical tourism sector back on track, Malaysia's Budget 2021 has allocated RM35 million to the MHTC, up from RM25 million for the previous year.[20] This will further optimise the healthcare travel industry for economic revitalisation of the nation.

RESILIENCY IN S-REITS FOR RESTARTING GROWTH

Prior to the global outbreak of COVID-19 in early 2020, significant growth was observed in the Singapore REITs (S-REITs) sector despite the macro uncertainties. Contributing an average of 26% to the Singapore Stock Exchange (SGX)'s daily turnover, it had generated a year-to-date total return of 3.5%. The overall market value of the entire sector had also edged higher.[21] However, the onset of the COVID-19 pandemic had impacted the overall S-REIT sector in line with the global equity markets, and the sector took a steep plunge in the first quarter of 2020, with the FTSE ST REIT Index slipping 22.9%.[22] Notwithstanding the mobility restrictions in the first half of 2020, the sector has picked up pace well in terms of share price and valuations in the second half of the year. By September 2020, the FTSE ST REIT Index had rebounded 38% since the low point in March 2020, outperforming the 13% rise by the Straits Times Index. The gains were largely led by COVID-19 resistant industrial and healthcare REITs.[23]

Palmary Inn Suma

In the second half of 2020, investments have also begun to return to the virtuous acquisition growth cycle.[24] The increase in acquisition volume is attributed to the low interest rate environment, relief measures rolled out by the government, higher debt capacity allowed under an enhanced gearing limit for REITs and pent-up demand from the transaction slowdown in the first half of 2020.

These factors exemplify the resilient nature of S-REITs, in particular the industrial and healthcare REITs, to restart growth amidst the equity market rout and to be excellent safe yielding long-term investments. Moving forward, they are expected to be set for a broader recovery in the coming year.

Against this backdrop, PLife REIT, being one of Asia's largest healthcare REITs by asset size, stands out as a resilient and defensive stock. It is well supported by investors' continued appetite for yields and safe-haven assets, amidst the low-rate environment and cautious global economic outlook. The REIT's success is due to its effective growth strategies, targeted investment approach as well as dynamic capital and financial management.

18 As medical travel resumes, Malaysia targets travel bubble for patients, The Straits Times, 14 September 2020.
19 COVID-19 and medical tourism, New Straits Times, 30 September 2020.
20 MHTC pleases with Budget 2021 allocation, New Straits Times, 6 November 2020.
21 REIT Sector Continues to Grow in Early 2020, SGX, 24 February 2020.
22 Singapore REITs set for broader recovery over Q1 COVID-19 hit, The Straits Times, 22 September 2020.
23 Singapore REITs set for broader recovery over Q1 COVID-19 hit, The Straits Times, 22 September 2020.
24 S-REITs' acquisition blitz set to hit S$10b in 2020 despite COVID-19, The Business Times, 11 November 2020.

95%
Portfolio having downside revenue protection[1]

0.53%
effective low all-in cost of debt

[1] Based on existing lease agreements and subject to applicable laws.

VALUE IN ALLIANCE

We seek long-term, strategic partnerships with healthcare operators in various specialised fields to optimise revenue, drive growth and create sustainable value for our stakeholders. Together with our partners during good and tough times, PLife REIT is positioned for further accretive growth from our diversified portfolio.

Sawayaka Nogatakan

BOARD OF DIRECTORS

MR. HO KIAN GUAN

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

Age: 75

Appointed on: 21/10/2016

WORK EXPERIENCE

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 a member of its 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.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Business Administration and Commerce

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- Non-Executive Director of Shangri-la Asia Limited
- Executive Chairman of Keck Seng Investments (Hong Kong) Limited
- Executive Chairman of Keck Seng (Malaysia) Berhad

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- NIL

DR. JENNIFER LEE GEK CHOO

Independent Director and Chairman of the Nominating and Remuneration Committee and Member of the Audit Committee

Age: 68

Appointed on: 30/06/2016

WORK EXPERIENCE

Dr. Lee serves on the boards of Parkway Trust Management Ltd and The Esplanade Company Ltd. Dr. Lee was the Chief Executive Officer (CEO) of KK Women's and Children's Hospital from 1991 to 2004. Before joining KK Hospital, she was the Chief Operating Officer of Singapore General Hospital from 1988 to 1991 during the period of its corporatisation, and prior to that 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.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- MBBS, National University of Singapore
- MBA, National University of Singapore

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- Director of The Esplanade Co Ltd
- Director of Parkway Trust Management Ltd
- Director of Guangzhou ZhongXing RenHui International Medical Management Company Ltd

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- Director of Ministry of Health Holdings
- Chairman of Agency for Integrated Care Pte Ltd

MS. CHEAH SUI LING
Independent Director and Chairman of the Audit Committee and Member of the Nominating and Remuneration Committee
Age: 49
Appointed on: 24/04/2017

WORK EXPERIENCE

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. In addition, she also serves on the boards of another Singapore listed company, CDL Hospitality Trusts, as well as non-profit organisation LEAP201.

She 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.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- BA, Economics and French, Wellesley College, Massachusetts, USA

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- 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
- Independent Director of TeleChoice International Limited

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- NIL

DR. KELVIN LOH CHI-KEON
Non-Executive Director and Member of the Nominating and Remuneration Committee
Age: 47
Appointed on: 01/10/2019

WORK EXPERIENCE

Dr. Loh was appointed Chief Executive Officer (Designate) and Executive Director of IHH Healthcare on 1 July 2019 and assumed the position as its Managing Director and Chief Executive Officer on 1 January 2020. He provides strategic direction and leadership for overall operations within IHH and its key operating subsidiaries – Parkway Pantai, Acibadem Healthcare, Fortis Healthcare and IMU Health. Today, IHH Healthcare offers a full spectrum of integrated services with a strong stable of 80 hospitals and more than 15,000 licensed beds in 10 countries.

An experienced healthcare executive with strong track record of delivery, Dr. Loh has extensive experience in leading large healthcare businesses, building relationships with stakeholders, managing hospital operations, financial management and developing people. He is also deeply familiar with the healthcare operating context in different countries across Asia.

Prior to joining IHH Healthcare, Dr. Loh was with Columbia Asia Group, where he oversaw its healthcare business comprising 28 hospitals across four countries in Asia as Chief Executive Officer since 2017.

Dr. Loh spent the early years of his career as a practising general physician. Driven by a passion for healthcare systems improvement, he embarked on the management track in the public healthcare sector and widened his healthcare portfolios to include clinical services development, hospital planning and hospital management. In 2008, he joined IHH Healthcare where he served nine years in numerous senior management roles, including as Chief Executive Officer of Singapore Operations Division where he steered the group's integrated healthcare businesses in Singapore.

Continued on next page >

BOARD OF DIRECTORS

MS. ROSSANA ANNIZAH BINTI AHMAD RASHID
Non-Executive Director
Age: 55
Appointed on: 16/11/2015

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Master Degree in Business Administration, National University of Singapore, Business School
- Bachelor of Medicine and Bachelor of Surgery, National University of Singapore

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- Managing Director and Chief Executive Officer of IHH Healthcare Berhad
- Managing Director and Chief Executive Officer of Parkway Pantai Limited
- Non-Executive and Non-Independent Director and Member of Corporate Social Responsibility of Fortis Healthcare Limited
- Executive Director and Managing Director of Parkway Holdings Ltd
- Director of SRL Limited
- Director of Acibadem Saglik Yatirimlari Holding A.S.
- Director of GHK Hospital Limited

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- Chief Executive Officer (Designate) and Executive Director of IHH Healthcare Berhad
- Group Chief Executive Officer of Columbia Asia Group of Companies

WORK EXPERIENCE

Ms. Rossana was appointed as Non-Executive Director of Parkway Trust Management Limited, an indirect wholly-owned subsidiary of IHH Healthcare Berhad, which manages the Parkway Life REIT. She is an Independent Non-Executive Director as well as the Audit Committee Chairman of IHH Healthcare Berhad. In addition, she also serves on the Board of Acibadem Saglik Yatirimlari Holding A.S., an indirect subsidiary of IHH Healthcare Berhad in Turkey.

Ms. Rossana serves on a number of Boards which includes being the Chairman of Bank Simpanan Nasional and Prudential BSN Takaful Berhad. She is also the Country Chairman of Jardine Matheson Group of Companies in Malaysia and serves as Deputy Chairman and Non-Independent Non-Executive Director of Cycle & Carriage Bintang Berhad, a member of the Jardine Matheson Group.

Further, she serves as a member of the Investment Panel and Investment Panel Risk Committee of Employee Provident Fund Malaysia. She is also a Board member of Celcom Axiata Berhad and edotco Group Sdn Bhd, both of which are subsidiaries of Axiata Group Berhad.

She was a career professional having held several leadership positions in the telecommunications and banking sectors. She previously served in various senior management roles with TIME dotcom Berhad, Maxis Berhad and RHB Bank Berhad, after beginning her career with Citibank Malaysia. With more than 30 years of experience, she has gained broad experience in business strategy, identifying sustainable monetisation models, understanding customers and competition, as well as the need for reviewing monetisation models with a focus on revenue and cost management.

Continued on next page >

MR. LOW SOON TECK
Non-Executive Director
Age: 56
Appointed on: 28/02/2017

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Bachelor of Arts in Banking and Finance, Canberra College of Advanced Education, Australia (now known as University of Canberra, Australia)
- CPA Australia

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- Independent Non-Executive Director of IHH Healthcare Berhad
- Chairman of Bank Simpanan Nasional
- Chairman of Prudential BSN Takaful Berhad
- Group Country Chairman and Director of Jardine Matheson (Malaysia) Sdn Bhd
- Deputy Chairman and Non-Independent, Non-Executive Director of Cycle & Carriage Bintang Berhad
- Member of Investment Panel & Investment Panel Risk Committee of Employees Provident Fund Malaysia
- Independent Non-Executive Director of Celcom Axiata Berhad
- Independent Non-Executive Director of edotco Group Sdn Bhd

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- Director of Parkway Pantai Limited
- Director of Jardine Lloyd Thompson Sdn Bhd

WORK EXPERIENCE

Mr. Low practised as a solicitor in Singapore at a boutique firm from 1991 to 1993, focusing on corporate and banking laws. He then joined the Kuok/Kerry Group in 1994, based in Hong Kong, where he held various senior positions in different businesses including 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 and served 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 he held until 2015. He has over 20 years of experience in finance, legal and general management in leadership roles.

Mr. Low was Group CFO of IHH Healthcare Berhad from 10 January 2016 to 12 August 2020.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- MBA University of Chicago, Booth School of Business
- Bachelor of Laws, Honors (2nd Upper), National University of Singapore

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BOARD OF DIRECTORS

MR. SIM HENG JOO JOE
Non-Executive Director
Age: 49
Appointed on: 30/11/2019

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- NIL

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- NIL

WORK EXPERIENCE

Mr. Joe Sim was appointed as Group Chief Operating Officer of IHH Healthcare on 1 January 2020. Mr. Sim joined Parkway Pantai Limited in June 2017 as the Chief Executive Officer of Malaysia Operations Division, Parkway Pantai.

He has more than 19 years' experience in the healthcare industry and was the winner of the Leading CEO Award by Singapore Human Resources Institute in 2014. Prior to joining Parkway Pantai in June 2017, he was Group Deputy Chief Executive of National University Healthcare System in Singapore and concurrently the Chief Operating Officer and Chief Executive Officer of National University Hospital. He also held the roles of Chief Corporate Development Officer, acting Chief Information Officer and acting Chief Executive Officer for new ventures at the National Healthcare Group in Singapore.

Mr. Sim began his career with the Singapore Administrative Service, building up a robust portfolio at the Ministry of Finance, Community Development Council and Ministry of Defence. In 2000, he founded a company that developed business-to-business trading hubs before joining the private sector where he was responsible for developing thought leadership, concepts and innovation on next-generation revenue agency for Accenture. Between 2008 and 2015, Mr. Sim was an Adjunct Lecturer at Nanyang Business School, during which he was recognised with a Teacher of the Year Award. He was also an Adjunct Associate Professor at the National University of Singapore's School of Public Health and Business School before he joined Parkway Pantai.

Continued on next page >

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Bachelor of Arts in Electronic and Information Science Tripos, University of Cambridge
- Masters in Public Administration, Kennedy School of Government, Harvard University

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- Director of Fortis Healthcare Limited
- Group Chief Operating Officer of IHH Healthcare Berhad
- Committee Member of Nanyang Business School Advisory Board
- Chairman of Health Sciences Advisory Committee of Ngee Ann Polytechnic
- Director of SRL Limited

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- NIL

MR. YONG YEAN CHAU

Chief Executive Officer and Executive Director
Age: 55
Appointed on: 29/01/2009

WORK EXPERIENCE

Mr. Yong is the CEO and Executive Director of Parkway Trust Management Limited, the Manager of Parkway Life REIT.

Over the past decade, he has grown the REIT's portfolio, which more than doubled to about S$2 billion now. Since listing, PLife REIT has also consistently delivered value to Unitholders, with Distributions Per Unit rising 118.2% as at 31 Dec 2020. With his leadership, PLife REIT was included in the FTSE EPRA NAREIT Global Developed Index in 2020. The index inclusion affirms the REIT's strong position as one of the largest listed healthcare REITs in Asia and enhances its trading liquidity and visibility to investors and index funds worldwide.

Mr. Yong's deep expertise in finance and corporate strategy is attributed to his prior work experience as 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 their CFO in Suzhou, China. Before joining Ascendas, Mr. Yong held other finance and audit positions at Beijing ISS International School, Housing and Development Board and Arthur Andersen.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- B.ACC (Hons), Fellow Chartered Accountant of Singapore
- Advanced Management Programme with Harvard Business School

PRESENT DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS

- NIL

PAST DIRECTORSHIPS OR CHAIRMANSHIP IN LISTED COMPANIES & MAJOR APPOINTMENTS HELD OVER THE PRECEDING 3 YEARS

- NIL

MANAGEMENT TEAM

1. Mr. Yong Yean Chau **2.** Mr. Loo Hock Leong **3.** Mr. Tan Seak Sze
4. Ms. Liu Chen Yin **5.** Ms. Teo Chin Ping **6.** Ms. Patricia Ng
7. Mr. Shawn Yap **8.** Mr. Wayne Lee **9.** Ms. Annie Chen
10. Ms. Nicole Chua

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 has 25 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., where he 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 possesses 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 26 years of experience in 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. Before this appointment, 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, he 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 Booth 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 is a real estate veteran with more than 20 years of experience in the industry.

Currently serving as Chief Portfolio Officer, Ms. Liu supports the CEO in formulating strategic plans to optimise 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.

Prior to her appointment with the Manager, she was with CapitaCommercial Trust Management Limited, the manager of CapitaCommercial Trust (CCT)[1] where she was involved in sourcing and evaluating 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 has 25 years of extensive experience in 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 a senior architect on a variety of projects with ACP Construction Pte Ltd, 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 health care, residential, education, commercial, industrial and warehouse sectors both in Singapore and Overseas.

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

MS. PATRICIA NG

Vice President (Head, Finance)

Ms. Ng brings with her more than two decades of accounting and finance experience 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 has 18 years of experience in the real estate sector, mainly in real estate asset management, marketing and leasing.

Prior to his appointment at Parkway Trust Management Limited, he was an Asset Manager with CapitaLand 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.

[1] Merged and renamed to CapitaLand Integrated Commercial Trust with effect from 3 November 2020

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

Vice President (Head, Investment & Special Project)

Mr. Lee has 18 years of experience in the real estate and REIT sectors, focusing on 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 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 at Wing Tai Holdings Limited and Senior Valuer at Chesterton International Property Consultants Pte Ltd.

Mr. Lee holds a Master of Science (Real Estate) from National University of Singapore and a Bachelor's 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 (Head, Corporate Finance)

Ms. Chen brings with her more than 16 years of accounting experience, with about 11 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 risks 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 department.

Ms. Chen graduated with a professional qualification from 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.

MS. NICOLE CHUA

Assistant Vice President (Head, Legal)

Ms. Chua is responsible for legal and compliance matters of the Manager and PLife REIT. She has more than 15 years of combined experience as practising lawyer and in-house legal counsel of Singapore listed real estate investment trusts. Before joining the Manager, she was a practising lawyer in the corporate banking and finance practice group at Messrs Zul Rafique & Partners in Kuala Lumpur, Malaysia.

Ms. Chua holds a Bachelor of Law (Honours) degree from Cardiff University of Wales, United Kingdom, and was admitted as an advocate and solicitor of the High Court of Malaya.

ENDURING IN TRUST

Imbued with strong governance based on our core values of credibility and integrity, we are committed to building enduring trust with our stakeholders. Being included in the FTSE EPRA NAREIT Global Developed Index further signifies our commitment in achieving long-term growth and value for our stakeholders.

Maison des Centenaire Hannan

One of the
LARGEST
LISTED
heathcare REITS in Asia
+118.2%
DPU more than
doubled since IPO

FINANCIAL HIGHLIGHTS

LONG-TERM RETURNS FROM THE STRENGTH OF RESILIENT PORTFOLIO

At PLife REIT, we consistently delivered sustainable returns to Unitholders, demonstrating the resilience of our portfolio which can deliver during good times as well as bad.

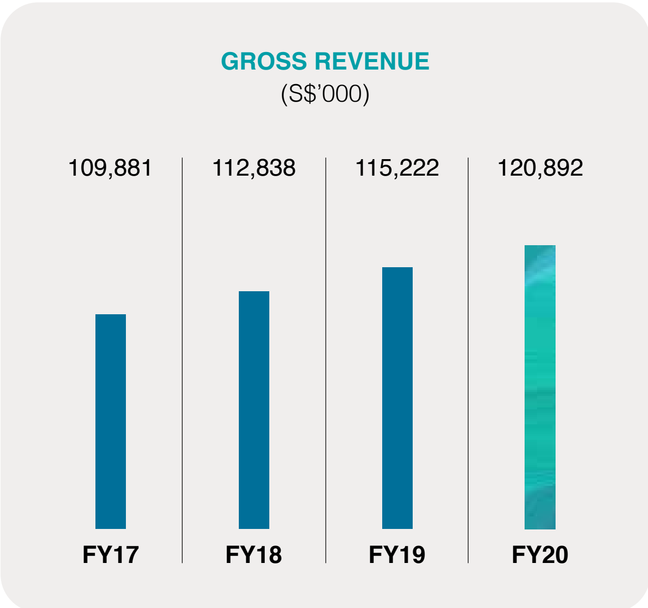
As at 31 December 2020, PLife REIT owns a resilient portfolio of 54 high-quality healthcare and aged care properties valued at approximately S$2.02 billion[1].

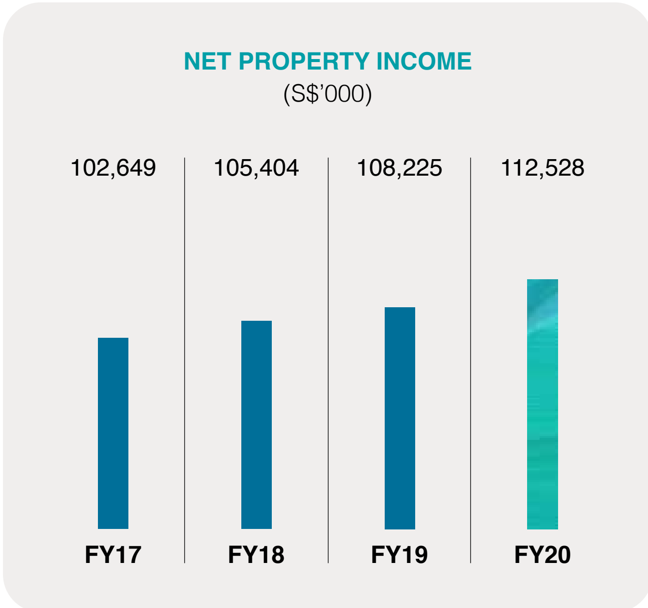
PORTFOLIO VALUE (S$)[1, 2]

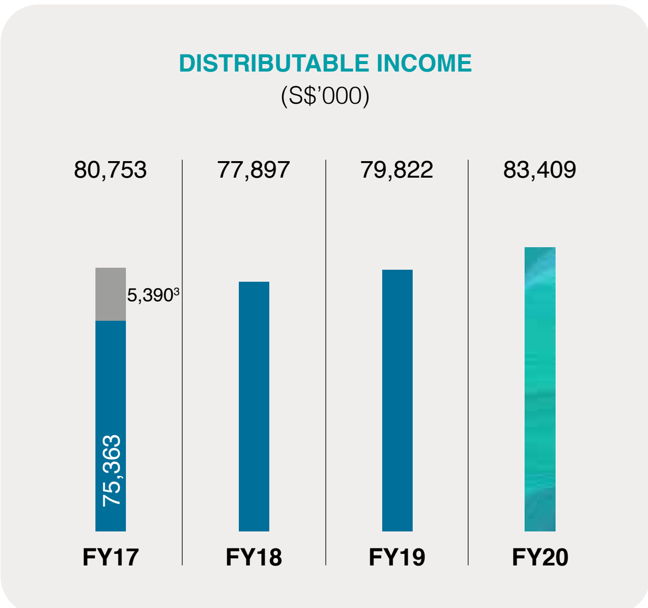
	Number of Properties	Portfolio Value (S$)	Number of Lessees
FY20	54	2.02b	32
FY19	53	1.96b	31
FY18	50	1.86b	28
FY17	49	1.73b	27
FY16	44	1.66b	23
FY15	47	1.64b	25
FY14	41	1.50b	21
FY13	44	1.48b	21
FY12	37	1.43b	21
FY11	33	1.38b	18
FY10	32	1.30b	18
FY09	21	1.15b	14
FY08	13	1.05b	8

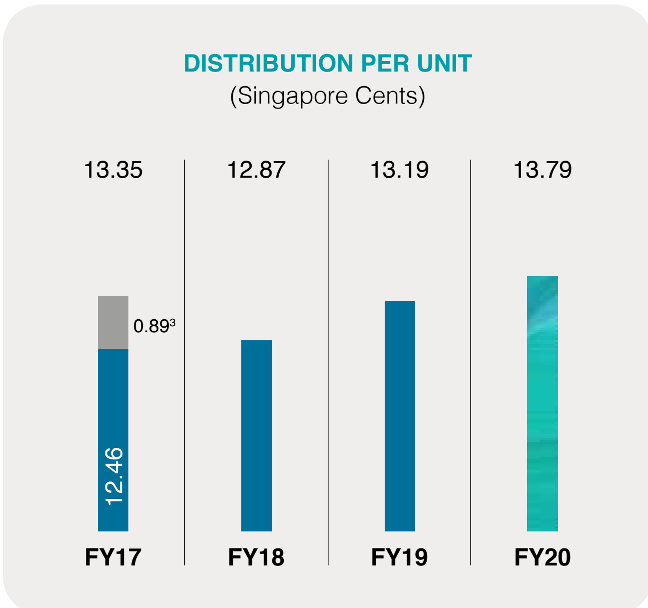
1 Based on latest appraised values (excludes adjustments for the right-of-use assets) including asset held for sale
2 Total portfolio value as at 31 December of each year

FINANCIAL PERFORMANCE AT A GLANCE









[3] 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

FINANCIAL HIGHLIGHTS

SOUND FUNDAMENTALS

The REIT maintains a healthy balance sheet, ensuring greater financial flexibility to grow our market leadership by tapping into attractive opportunities, creating greater value for our stakeholders.

KEY METRICS

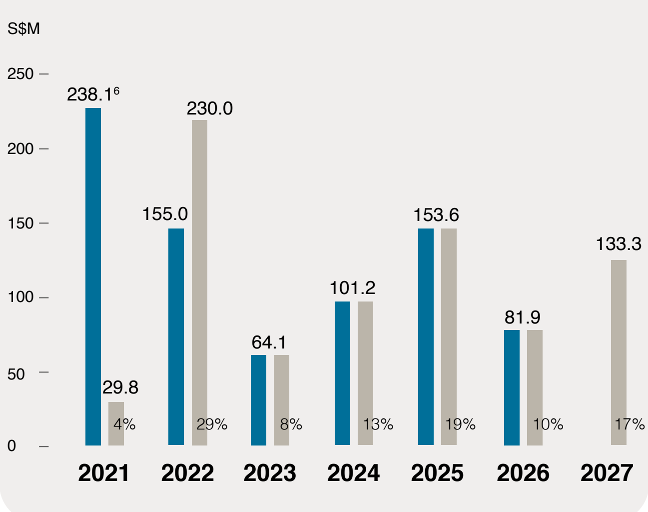
(As at 31 December 2020)

Gearing	Total assets	Weighted average debt term to expiry	Effective all-in cost of debt
38.5%	S$2.1 BILLION	3.5 YEARS[4]	0.53% PER ANNUM

DEBT MATURITY PROFILE[5]

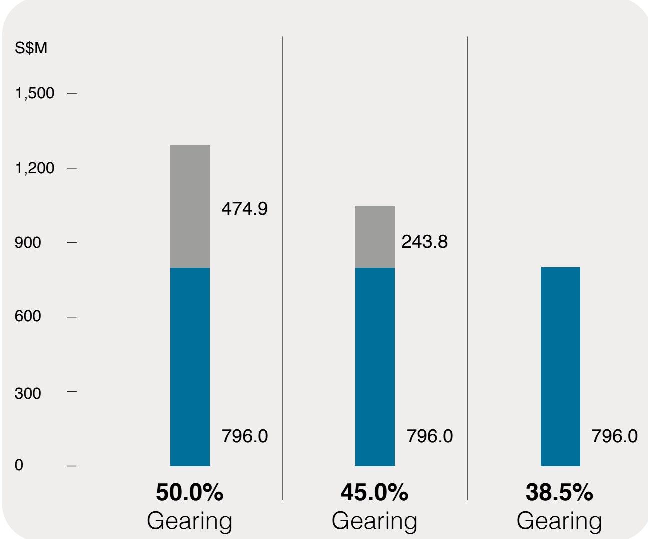
(As at 31 December 2020)

PRE & POST REFINANCING ALL DEBTS DUE IN 2021



AMPLE DEBT HEADROOM

Debt headroom of $243.8 million and $474.9 million before reaching 45% and 50%[7] gearing respectively.



4 Extended from 2.7 years to 3.5 years post refinancing of all debts due in 2021
5 Excludes lease liabilities, if any
6 As at 31 December 2020, S$2.8 million and JPY2,106 million of short term loans were drawn down for general working capital purposes. Put in place 6-year loans to term out two loans upon their maturity in June 2021, and extended the maturity of the remaining debt due in 2021
7 On 16 April 2020, the MAS has raised the leverage unit for S REITs from 45% to 50%

SIGNIFICANT EVENTS

22 APRIL 2020

Announced 1Q 2020 results: Gross revenue increased by 5.2% year-on-year to S$29.9 million. Total distributable income increased by 1.4% to S$20.1 million. DPU of 3.32 Singapore cents for the period was declared.

28 JULY 2020

Announced 2Q 2020 results: Gross revenue increased 4.9% year-on-year to S$30.3 million. Correspondingly, total distributable income increased by 2.5% year-on-year to S$20.3 million. DPU of 3.36 Singapore cents for the period was declared.

Announced that Minimum Guaranteed Rent for its Singapore Hospitals was set to increase by 1.17% for 14th year of lease term that commenced on 23 August 2020 under the CPI +1% rent revision formula.

18 SEPTEMBER 2020

Included in the FTSE EPRA NAREIT Global Developed Index: It was a significant milestone for PLife REIT to be included in the index as it signified recognition of PLife REIT's commitment in achieving long-term growth and value for Unitholders, and resilience despite ongoing challenges in the macro economy. Inclusion in the index not only enhances trading liquidity but it increases visibility to investors and index funds worldwide.

4 NOVEMBER 2020

Announced 3Q 2020 results: Gross revenue increased 0.8% year-on-year to S$30.2 million. Total distributable income increased 7.4% year-on-year to S$21.4 million. DPU of 3.54 Singapore cents for the period was declared.

18 DECEMBER 2020

Completion of the acquisition of a nursing home in the Greater Tokyo Region in Japan for S$21.2 million[1]. The acquisition was made at approximately 4.6% below the valuation and was expected to generate a net property yield of 6.4%[2].

JANUARY 2021

Announced a full year DPU of 13.79 Singapore cents for FY2020, representing a year-on-year increase of 4.5%.

Divested a non-core asset in Japan for JPY2.9 billion (approximately S$37.1 million[3]), representing a 12% premium over original purchase price.

1 Based on the exchange rate of S$1.00 to JPY 78.00 as stated in the announcement released on 10 December 2020
2 Excludes capitalised costs
3 Based on the exchange rate of S$1.00 to JPY 78.06 as stated in the announcement released on 29 January 2021

PORTFOLIO HIGHLIGHTS

Given the specialised nature of healthcare assets, the Group recognises the importance of working with credible operators and building strong landlord-lessee relationships. A big part of the Group's success is due to the close 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 Group 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
54

Number of lessees
32

Appraised Value
S$2.02
BILLION[2]

Floor area
322,396
SQM

Weighted average lease term to expiry (by gross revenue)
5.74
YEARS

Downside/ protection[3] (gross revenue)
95%

CPI-linked revision formulae (by gross revenue)
58%

Leases with rent review provision (by NLA)
97%

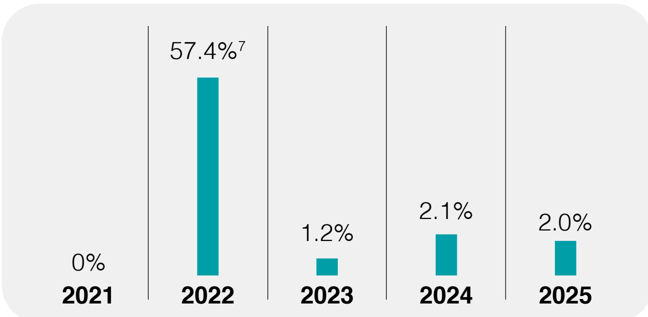
REVENUE STABILITY WITH DEFENSIVE LONG-TERM MASTER LEASE STRUCTURES[4]

TOP 10 TENANTS

S/N	Tenant	%
1	Parkway Hospitals Singapore Pte. Ltd.	57.4%
2	K.K Sawayaka Club	8.2%
3	K.K Habitation	5.5%
4	K.K. Asset	2.9%
5	Miyako Enterprise Co., Ltd.	2.5%
6	Riei Co., Ltd	2.1%
7	Japan Amenity Life Association[5]	1.95%
8	Green Life Higashi Nihon	1.43%
9	Abbott Diagnostics Medical Co. Ltd.[6]	1.40%
10	K.K Taijyu	1.36%

LEASE EXPIRY PROFILE FOR THE NEXT 5 YEARS

(By % of Portfolio Revenue)



[1] As at 31 December 2020
[2] Based on latest appraised values as at 31 December 2020
[3] Based on existing lease agreements and applicable laws
[4] Based on gross revenue as at 31 December 2020
[5] Formerly K.K Oueikikaku and Y.K Shonan Fureai no Sono
[6] Formerly Alere Medical Co. Ltd
[7] Mainly 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

PORTFOLIO DIVERSIFICATION[8]

BY ASSET CLASS

Hospitals and Medical Centres	Nursing Homes	Pharmaceutical Product Distributing and Manufacturing Facility
57.5%	41.1%	1.4%

BY GEOGRAPHY

Singapore
57.4%

PORTFOLIO OF THREE STRATEGICALLY-LOCATED WORLD-CLASS LOCAL PRIVATE HOSPITALS WORTH S$1.21 BILLION[9]

Distinct Features of our Singapore Hospital Properties

- Long-term Master Leases with Parkway Hospitals Singapore Pte. Ltd.
  - 15 + 15 years with effect from 23 August 2007
  - 100% committed occupancy
- Triple Net Lease Arrangement
  - PLife REIT does not bear these costs: property tax, property insurance[10], 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
42.5%

PORTFOLIO OF 50 HIGH QUALITY HEALTHCARE PROPERTIES WORTH S$799.7 MILLION[9]

Distinct Features of our Japan Properties

- Favourable Lease Structure
  - Long-term master lease structure with weighted average lease term to expiry of 11.29 years[11]
  - "Up-only" Rental Review Provision for most of our nursing homes[12]
  - 100% committed occupancy

Malaysia
0.1%

STRATA UNITS AT MOB SPECIALIST CLINICS, KUALA LUMPUR WORTH S$6.2 MILLION[9]

Distinct Features of our Malaysia Properties

- MOB Specialist Clinics[13] 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.
- Major tenants include Gleneagles Hospital Kuala Lumpur[14] (a branch of Pantai Medical Centre Sdn. Bhd.), Excel Event Networks Sdn. Bhd. and KL Stroke & Neuro Clinic Sdn. Bhd. as lessees.

[8] Based on gross revenue as at 31 December 2020
[9] Based on latest appraised values as at 31 December 2020
[10] Except property damage insurance for Parkway East Hospital
[11] In accordance with the terms in the building lease agreement
[12] Based on existing lease agreements and applicable laws
[13] Formerly known as Gleneagles Intan Medical Centre Kuala Lumpur
[14] Formerly known as Gleneagles Kuala Lumpur

FINANCIAL REVIEW

CONTINUOUS GROWTH IN REVENUE AND NET PROPERTY INCOME DESPITE A CHALLENGING YEAR

The severe impact of COVID-19 pandemic has disrupted many industries in 2020. While the rollout of COVID-19 vaccines around the world has assuaged a lot of the concerns about the economic outlook in 2021, surging caseloads in the US, across Europe and including in some parts of Asia, as well as a more contagious new variant of the virus have dented some enthusiasm in the shorter term.

Despite these challenging conditions, PLife REIT's Unit Price hit a record high, boosted by the inclusion of the REIT in the FTSE EPRA NAREIT Global Developed Index. It continued to maintain its market capitalisation well above S$2.0 billion. In addition, the REIT continued to deliver relatively strong growth and earnings in FY2020. It achieved a record high recurring Distribution per Unit ("DPU"), increasing to 13.79 cents from 13.19 cents in FY2019, achieving an uninterrupted recurring DPU growth of 118.2% since its listing in 2007.

The Group's gross revenue increased 4.9% y-o-y to S$120.9 million in 2020, mainly due to the revenue contribution from the Japan property acquisitions in December 2019 and 2020, higher rent from the existing properties and appreciation of the Japanese Yen.

Property expenses for 2020 were S$1.4 million or 19.5% higher than 2019 due to higher repair expenses incurred in 2020 and general increase in property expenses in line with larger portfolio in 2020. The result was a net property income of S$112.5 million for 2020, which was S$4.3 million higher than 2019.

The Manager's management fees for 2020 of S$12.6 million was 6.4% higher than 2019. This was due to higher deposited property value and higher net property income from the properties acquired in December 2019 and 2020 as well as valuation gains on the existing property portfolio and appreciation of the Japanese Yen which led to a corresponding increase in deposited property.

With a sizeable Japan portfolio of 50 assets, Manager continued to manage the Group's exposure to interest rate and foreign currency risks prudently. In this regard, during the course of 2019 and 2020, we had brought down finance costs through the completion of a series of proactive loan refinancing initiatives at lower credit spreads and extension of interest rate hedges at lower hedged rates. Finance costs were further lowered due to lower interest costs for the Singapore dollar debts. The drop in finance costs was partially offset by the appreciation of the Japanese Yen. Higher trust expenses for 2020 was due to higher professional fees incurred during the period.

Of the net foreign exchange movement, the Group had registered a realised foreign exchange gain amounting to about S$104,000 and S$179,000 from the delivery of Japan net income hedges in 2020 and 2019 respectively.

Total operating expenses[1] for the year were S$30.0 million, which represented 2.5% of PLife REIT's net asset value as at the end of the financial year. Tax incurred for year was S$9.2 million.

In first quarter of 2020, the Group had announced that it has retained S$1.7 million as part of the COVID-19 related relief measures for tenants. The retention sum was released as and when the COVID-19 related support had been utilised. To date, approximately 70% of the amount set aside had been utilised.

Overall, DPU for 2020 of 13.79 cents had outperformed by 4.5% or 0.60 cents as compared with 2019's DPU of 13.19 cents, mainly led by acquisitions, rental growth of existing properties, financing cost savings and partially offset by the retention for COVID-19 related relief measures.

RESILIENT BALANCE SHEET

With prudent and pre-emptive capital management measures, PLife REIT continued to maintain its strong financial position in 2020.

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

Leverage and Borrowings

Against the backdrop of a depressed macro economy and volatile financial markets, PLife REIT continues to deliver sustainable returns while it remains in a stable financial position with a healthy gearing of 38.5% (2019: 37.1%) and interest cover of 18.1 times. As compared to 2019, gearing has increased marginally due to loans drawn down to fund the Japan property acquisition in December 2020 and for working capital purposes. There is no significant impact to the risk profile of PLife REIT. This leaves the Group with ample debt headroom of S$243.8 million and $474.9 million before reaching 45% and 50% gearing respectively. On 16 April 2020, the Monetary Authority of Singapore raised the leverage limit for S-REITs from 45% to 50%. Armed with the optimal gearing level and sufficient debt headroom, PLife REIT has the flexibility to capitalise on any compelling investment opportunities for growth.

The portfolio is largely supported by favourable rental lease structures, where at least 95% of its Singapore and Japan portfolios have downside revenue protection and 58% of the total portfolio is pegged to CPI-linked revision formula, ensuring steady rental growth whilst protecting revenue stability amid uncertain market conditions.

Backed by a largely defensible income stream, PLife REIT continues to strengthen its balance sheet with no long-term debt refinancing needs until 2022. Additionally, PLife REIT adopts prudent financial risk management to manage the exposure to interest rate risk and foreign currency risk. Interest rate risk is managed on an ongoing basis by largely hedging long-term committed borrowings using interest rate hedging financial instruments or issuance of fixed rate notes. This strengthens PLife REIT's resilience against potential interest rate hikes. Foreign currency risk is managed by adopting a natural hedge strategy for the Japanese investments to maintain a stable net asset value and putting in place Japanese Yen forward contracts to shield against Japanese Yen currency volatility.

As at 31 December 2020, PLife REIT reported a weighted average debt term to maturity at 3.5 years post refinancing. Its current effective all-in cost of debt was approximately 0.53% per annum, enjoying one of the lowest costs of debt amongst the S-REITs. Its interest cover ratio stood at 18.1 times as at 31 December 2020.

The Group's long-term floating rate JPY loans for the next few years have been largely hedged. As at 31 December 2020, about 87% of interest rate exposure is hedged. The Group also put in place JPY forward contracts till 2Q 2025. This shields PLife REIT from any potential interest rate hikes, thereby minimising any potential negative impact to its distribution and enhances the stability of distribution to Unitholders.

During the year, three of the long-term facilities amounting to approximately S$208.3 million were reclassified to current term borrowings due to their maturity in 2021. In 4Q 2020, the Group has put in place 6-year committed and unsecured loan facilities which will be used to term out two loans upon their maturity in June 2021, as well as extended the maturity of the remaining loan facility due in 2021. With that, the debt maturity profile was extended to 2027 (post refinancing).

Cash Position

PLife REIT is in a net cash position with cash and cash equivalent for the year standing at S$22.7 million compared to S$21.9 million in 2019.

For the year under review, cash inflow from operating activities grew to S$90.3 million from S$89.2 million in 2019, attributed mainly to the rental income from the three Japan properties acquired in December 2019 and higher rent from the Singapore properties. The net cash outflow of S$28.6 million for investing activities was mainly due to the acquisition of a nursing home in Japan and payment of capital expenditure on existing properties. Cash used in financing activities was mainly due to payment of distributions to Unitholders partially offset by the loan drawn down to finance the property acquisition.

Asset Valuation

Following the acquisition of a nursing home in Japan in late 2020, the Group has an enlarged portfolio of 54 quality healthcare and healthcare-related properties in Singapore, Japan, and Malaysia.

According to the annual independent valuation performed for all properties, PLife REIT's portfolio valuation has increased to approximately S$2.02 billion from S$1.96 billion in 2019.

Net Asset Value as at 31 December 2020 was S$1.96 per unit, up from S$1.95 in 2019.

PROPERTY PORTFOLIO
OUR PROPERTIES

SINGAPORE

1 Mount Elizabeth Hospital
2 Gleneagles Hospital
3 Parkway East Hospital

MALAYSIA

4 MOB Specialist Clinics,
Kuala Lumpur

	Mount Elizabeth Hospital	Gleneagles Hospital	Parkway East Hospital	MOB Specialist Clinics, Kuala Lumpur[5]
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	257	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	- Excel Event Networks Sdn. Bhd. - Gleneagles Hospital Kuala Lumpur (A Branch of Pantai Medical Centre Sdn. Bhd.) - KL Stroke & Neuro Clinic Sdn. Bhd.
Committed Occupancy[2]	100%	100%	100%	31% (excluding car park)
Gross Revenue (2020)	S$43,053,982	S$22,438,390	S$3,964,794	RM936,822
Gross Revenue (2019)	S$42,438,176	S$22,117,448	S$3,937,440	RM1,106,498
Purchase Price[3]	S$524.43 million	S$216.0 million	S$34.19 million	RM16.0 million (S$6.38 million)
Year of Purchase	2007	2007	2007	2012
Appraised Value[4] (as at 31 December 2020)	S$751 million	S$395 million	S$67.8 million	RM18.94 million (S$6.21 million)[4]
Name of Appraiser(s)	Knight Frank Pte Ltd	Knight Frank Pte Ltd	Knight Frank Pte Ltd	Nawawi Tie Leung 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 MOB Specialist Clinics, Kuala Lumpur
2 Committed occupancy of each property for Year 2019 and 2020 remain unchanged
3 Based on the exchange rate at point of acquisition
4 At an exchange rate of S$1.00 : RM3.04. As at 31 December 2020, the property recorded depreciation on revaluation against corresponding value as at 31 December 2019 due to rent reversion in line with market conditions.
5 Formerly known as Gleneagles Intan Medical Centre

PROPERTY 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
- Haru No Sato

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 de Centenaire Ishizugawa
- Maison de 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 Yokohama Shin-Yamashita
- Hanadama no Ie 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
- Habitation Hakusho
- Group Home Hakusho
- Habitation Kamagaya

12 NIIGATA
- Sawayaka Minatokan

13 AKITA
- Sawayaka Sakurakan

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

15 GIFU
- Hodaka no Niwa

16 WAKAYAMA
- Orange no Sato




	Bon Sejour Yokohama 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	91	59	108
Number of Storeys	5	6	5/6 + 1 (basement)	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 (2020)	¥100,721,354	¥113,400,000	¥68,316,000	¥101,496,000
Gross Revenue (2019)	¥100,379,036	¥113,400,000	¥68,093,280	¥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 2020)	¥1,690 million (S$21.65 million)	¥1,830 million (S$23.44 million)	¥1,090 million (S$13.96 million)	¥1,870 million (S$23.95 million)
Name of Appraiser(s)	CBRE K.K.	Cushman & Wakefield K.K.	Cushman & Wakefield K.K.	Enrix Co., Ltd

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 2019 and 2020 remain unchanged
3 Based on the exchange rate at point of acquisition
4 At an exchange rate of S$1.00 : JPY78.06

PROPERTY 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 Inc.; Shakai Fukushi Houjin Keiyu-Kai	Green Life Co. Ltd[6]
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2020)	¥44,820,000	¥91,260,000	¥49,360,800	¥57,996,000
Gross Revenue (2019)	¥44,820,000	¥91,260,000	¥49,075,500	¥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 2020)	¥826 million (S$10.58 million)	¥1,640 million (S$21.00 million)	¥710 million (S$9.10 million)	¥897 million (S$11.49 million)
Name of Appraiser(s)	Enrix Co., Ltd	Enrix Co., Ltd	Cushman & Wakefield K.K.	CBRE K.K

1 Committed occupancy of each property for year 2019 and 2020 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY78.06. As at 31 December 2020, the property recorded depreciation on revaluation against corresponding value as at 31 December 2019.
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 1 May 2013 due to organisational restructuring by GreenLife Co., Ltd, parent company of Care Link Co., Ltd





Fiore Senior Residence Hirakata	Maison de Centenaire Ishizugawa	Maison de Centenaire Haruki	Iyashi no Takatsuki Kan	Sawayaka Obatake Ichibankan
Freehold	Freehold	Freehold	Freehold	Freehold
727	1,111	801	2,023	1,769
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	¥61,452,000	¥47,124,000	¥101,416,844	¥57,099,996
¥33,600,000	¥61,414,200	¥47,124,000	¥101,351,496	¥57,089,853
¥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
¥523 million (S$6.70 million)	¥932 million (S$11.94 million)	¥719 million (S$9.21 million)	¥1,730 million (S$22.16 million)	¥845 million (S$10.82 million)[3]
Cushman & Wakefield K.K.	Cushman & Wakefield K.K.	Cushman & Wakefield K.K.	Cushman & Wakefield K.K.	CBRE K.K

PROPERTY 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	73	110
Number of Storeys	3	6	4 + 1 (basement)	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 (2020)	¥28,840,234	¥75,799,992	¥57,799,992	¥70,599,996
Gross Revenue (2019)	¥28,711,232	¥75,679,995	¥57,679,995	¥70,514,856
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 2020)	¥405 million (S$5.20 million)	¥1,070 million (S$13.71 million)	¥817 million (S$10.47 million)	¥913 million (S$11.70 million)
Name of Appraiser(s)	CBRE K.K	CBRE K.K	CBRE K.K	Enrix Co., Ltd

1 Committed occupancy of each property for year 2019 and 2020 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY78.06. As at 31 December 2020, the property recorded depreciation on revaluation against corresponding value as at 31 December 2019.
4 Change of name with effect from 1 March 2020 due to acquisition of Y.K Shonan Fureai no Sono's operations by K.K. Japan Amenity Life Association
5 Formerly known as Fureai no Sono Musashi Nakahara





As Heim Nakaurawa	Hanadama no Ie Nakahara[5]	Sawayaka Fukufukukan	Sawayaka Higashikagurakan	Happy Life Toyonaka
Freehold	Freehold	Freehold	Freehold	Freehold
1,764	935	1,842	4,813	628
2,712	1,847	3,074	5,467	1,254
64	47	72	110	42
4 + 1 (basement)	4	4 + 1 (basement)	4	4
2006	2006	2008	2010	2007
As Partners Co., Ltd	K.K. Japan Amenity Life Association[4]	K.K. Sawayaka Club	K.K. Sawayaka Club	K.K. Nihon Kaigo Iryo Center
100%	100%	100%	100%	100%
¥60,000,000	¥52,800,000	¥50,300,004	¥81,240,396	¥35,280,000
¥66,000,000	¥52,800,000	¥50,255,004	¥81,217,896	¥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
¥1,110 million (S$14.21 million)	¥919 million (S$11.77 million)[3]	¥749 million (S$9.59 million)	¥1,050 million (S$13.45 million)	¥546 million (S$6.99 million)
Cushman & Wakefield K.K.	CBRE K.K.	CBRE K.K.	Enrix Co., Ltd	CBRE K.K.

PROPERTY 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)	70	129	135	50
Number of Storeys	10 + 1 (basement)	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 (2020)	¥99,732,000	¥110,704,560	¥104,540,736	¥52,076,820
Gross Revenue (2019)	¥99,730,200	¥110,658,876	¥104,501,532	¥52,065,300
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 2020)	¥1,660 million (S$21.26 million)	¥1,610 million (S$20.62 million)	¥1,530 million (S$19.60 million)	¥766 million (S$9.81 million)
Name of Appraiser(s)	Cushman & Wakefield K.K.	CBRE K.K.	CBRE K.K.	CBRE K.K.

1 Committed occupancy of each property for year 2019 and 2020 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY78.06

				
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	¥72,569,292	¥124,000,008	¥48,999,996	¥67,005,272
¥24,799,992	¥72,492,297	¥124,004,508	¥48,999,996	¥67,022,556
¥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
¥326 million (S$4.18 million)	¥1,020 million (S$13.07 million)	¥2,010 million (S$25.75 million)	¥754 million (S$9.66 million)	¥946 million (S$12.12 million)
CBRE K.K.	CBRE K.K.	JLL Morii Valuation and Advisory K.K.	JLL Morii Valuation and Advisory K.K.	JLL Morii Valuation and Advisory K.K.

PROPERTY 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[7]	4
Year of Completion	2005	2007	1984 to 2003[8]	2013
Name of Lessee (s)	K.K. Habitation	K.K. Japan Amenity Life Association[6]	K.K. Habitation	K.K. Kokanomori
Committed Occupancy[1]	100%	100%	100%	100%
Gross Revenue (2020)	¥245,000,004	¥132,989,484	¥276,000,000	¥108,000,000
Gross Revenue (2019)	¥245,000,004	¥132,989,484	¥276,000,000	¥108,000,000
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 2020)	¥3,850 million (S$49.32 million)	¥2,060 million (S$26.39 million)	¥4,030 million (S$51.62 million)	¥1,860 million (S$23.83 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 2019 and 2020 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY78.06
4 Total land area of the integrated development
5 Strata area of the Property owned by PLife REIT
6 Change of name with effect from 1 June 2019 due to acquisition of K.K. Ouekikaku by K.K. Japan Amenity Life Association.
7 5-storey for Hakata I, 8-storey for Hakata II, 3-storey for Hakata III
8 Hakata I in 1984, Hakata II in 1995, Hakata III in 2003

				
Liverari Shiroishi Hana Ichigo-kan[9]	**Liverari Shiroishi Hana Nigo-kan**[10]	**Sunny Spot Misono**[11]	**Silver Heights Hitsujigaoka (Ichibankan & Nibankan)**	**Habitation Wakaba**
Freehold	Freehold	Freehold	Freehold	Freehold
628	436	429	5,694	6,574
1,051	747	724	9,013	5,431
48	24	20	123	135
3	3 + 1 (basement)	3	5 to 6	3
2011	1990	1993	Ichibankan in 1987; Nibankan in 1991	1993
K.K. Living Platform Care[12]	K.K. Living Platform Care[12]	K.K. Challenge Care[12]	K.K. Silver Heights Sapporo	K.K. Taijyu
100%	100%	100%	100%	100%
¥24,000,000	¥12,264,000	¥14,652,000	¥88,770,000	¥129,674,923
¥24,000,000	¥12,240,000	¥14,400,000	¥88,770,000	¥129,659,879
¥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
¥370 million (S$4.74 million)	¥185 million (S$2.37 million)	¥207 million (S$2.65 million)	¥1,180 million (S$15.12 million)	¥2,200 million (S$28.18 million)
JLL Morii Valuation and Advisory K.K.	JLL Morii Valuation and Advisory K.K.	JLL Morii Valuation and Advisory K.K.	Enrix Co., Ltd	Enrix Co., Ltd

9 Formerly known as Hana Kitago
10 Formerly known as Hana Kita 13 Jyo
11 Formerly known as Liverari Misono
12 Change of name due to Corporate Split with effect from 1 Oct 2020 (Formerly K.K. Living Platform)

PROPERTY PORTFOLIO
OUR PROPERTIES




	Habitation Hakusho[4]	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 + 1 (basement)	2	2 to 4	3
Year of Completion	1986	2004	Main Building 1 in 1964; Main Building 2 in 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 (2020)	¥119,696,893	¥8,000,004	¥60,644,496	¥38,640,000
Gross Revenue (2019)	¥119,684,490	¥8,000,004	¥60,644,496	¥38,640,000
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 2020)	¥1,680 million (S$21.52 million)	¥105 million (S$1.35 million)	¥866 million (S$11.09 million)	¥556 million (S$7.12 million)
Name of Appraiser(s)	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd

1 Committed occupancy of each property for year 2019 and 2020 remain unchanged
2 Based on the exchange rate at point of acquisition
3 At an exchange rate of S$1.00 : JPY78.06. As at 31 December 2020, the property recorded depreciation on revaluation against corresponding value as at 31 December 2019.
4 Formerly known as Hakusho no Sato






Konosu Nursing Home Kyoseien	P-Life Matsudo	Hodaka no Niwa	Orange no Sato	Haru no Sato	Habitation Kamagaya
Freehold	Freehold	Freehold	Leasehold with 99 years	Freehold	Freehold
8,715	8,450	39,955	2,377	4,241	1,996
5,634	3,240	6,117	4,005	3,568	5,118
120	NA	100	98	100	100
5	2	1	3	3	6 + 1 (basement)
2004/2015	2005; Additional works were completed in 2007	2004	1997	2000/2016	2006
Iryouhoujin Shadan Kouaikai	Abbott Diagnostics Medical Co., Ltd[5]	Medical Corporation Kenko Choju-kai	Medical Corporation Misaki-kai	Medical Corporation Shojin-kai	Fuyo Shoji Kabushiki Kaisha
100%	100%	100%	100%	100%	100%
¥113,404,188	¥133,173,993	¥100,925,198	¥87,958,800	¥92,254,800	¥4,367,887
¥128,652,411	¥133,192,027	¥5,154,781	¥4,492,519	¥4,711,939	N/A
¥1,500 million (S$17.80 million)	¥2,590 million (S$34.19 million)	¥1,300 million (S$16.25 million)	¥1,200 million (S$15.00 million)	¥1,200 million (S$15.00 million)	¥1,650 million (S$21.2 million)
2018	2008	2019	2019	2019	2020
¥1,710 million (S$21.91 million)	¥2,410 million (S$30.87 million)	¥1,390 million (S$ 17.81 million)[3]	¥1,260 million (S$ 16.14 million)[3]	¥1,280 million (S$ 16.40 million)[3]	¥1,730 million (S$22.16 million)
Cushman & Wakefield K.K.	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd	Enrix Co., Ltd

5 Change of name with effect from 3 October 2017 due to acquisition of Alere Medical Co., Ltd. by Abbott Diagnostics Medical Co., Ltd.

INVESTOR RELATIONS

PROACTIVE ENGAGEMENTS 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 which is instrumental to its mission to create long-term value for all stakeholders, and to the sustainability of PLife REIT. This includes practising active and timely disclosure about the REIT's operations and developments. Additionally, the Manager ensures that all necessary information is provided in a clear, concise and accurate manner for investors to make well-informed decisions.

The Manager is also committed to fostering long-term and strong relationships with all Unitholders and the wider investment community by engaging and communicating with them regularly and has put in place multi-communications channels, such as the corporate website, corporate literature, annual general meeting and investor outreach programme, to reach out to them. Despite the COVID-19 pandemic, the Manager continued to engage with existing and potential investors, analysts, media and unitholders throughout the financial year to increase their understanding of PLife REIT and its strategy through these channels.

MULTI-CHANNELS COMMUNICATIONS

CORPORATE WEBSITE

PLife REIT's corporate website (www.plifereit.com) allows for easy access to comprehensive information on the REIT. Information such as stock data, SGXNet announcements, financial statements, press releases, presentation slides, annual reports, and other corporate development are regularly updated to keep Unitholders and the investment community abreast of the REIT's performance on a timely basis. Through publishing information on the corporate website, the Manager provides insights into its growth strategy and latest developments. In addition, the Manager actively encourages Unitholders to provide feedback or submit their enquiries via the corporate website.

ANNUAL GENERAL MEETING

Each year, the REIT holds its Annual General Meeting ("AGM") in April in Singapore. In 2020, due to COVID-19 pandemic, our AGM was held virtually on 19 June 2020 instead of April 2020. 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 the 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.

CORPORATE LITERATURE

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

INVESTOR OUTREACH PROGRAMME

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

In 2020, the Manager held regular calls with investors and analysts. Some of the investor relations milestones and key activities conducted during the year are listed below:

INVESTOR RELATIONS MILESTONES / KEY ACTIVITIES IN FY2020

1ST QUARTER
- Investors' Calls

2ND QUARTER
- Investors' Calls
- Virtual Annual General Meeting

3RD QUARTER
- Investors' Calls
- Inclusion of PLife REIT in the FTSE EPRA NAREIT Global Developed Index

4TH QUARTER
- Investors' Calls

INCLUSION OF PLIFE REIT IN THE FTSE EPRA NAREIT GLOBAL DEVELOPED INDEX

PLife REIT was added to the FTSE EPRA NAREIT Global Developed Index on 18 September 2020. The inclusion in the index despite ongoing uncertainties in the macro economy attests to the REIT's resilience and commitment to long-term growth and value creation for its Unitholders. The index inclusion also enhanced trading liquidity and visibility to investors and index funds worldwide, while reaffirming PLife REIT's strong position as one of the largest listed healthcare REITS in Asia.

REGULAR NEWS AND MEDIA RELATIONS

The Manager seeks to inform and articulate its strategies and plans to the public and investors through various media platforms. PLife REIT also publishes news releases on its corporate developments and financial results, which are regularly picked up by the regional and local press. As such, the Manager was able to effectively reach out to both its existing and new investors to raise awareness and interest in the REIT.

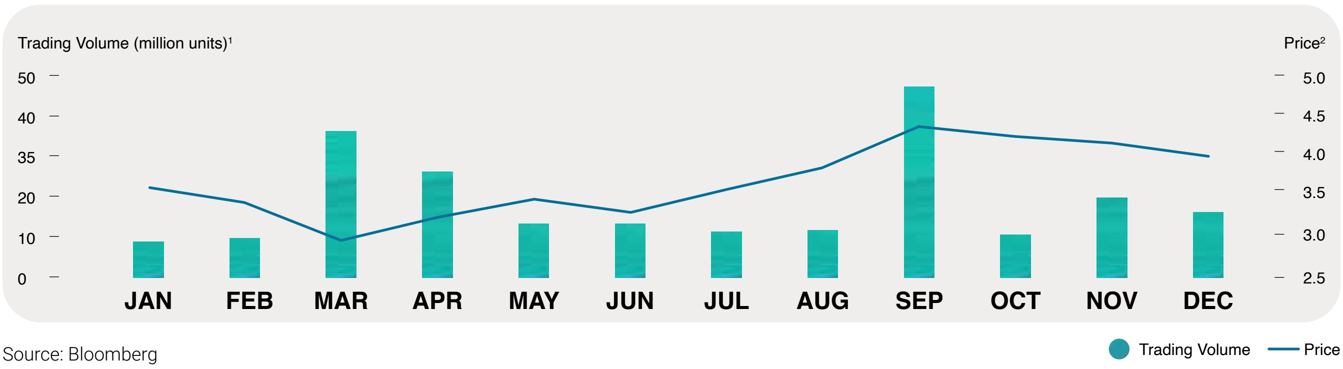
The Manager endeavours to continue improving its communication efforts to further stakeholders' understanding of the REIT and its strategy.

ANALYST COVERAGE

The following brokerage houses provide research coverage on PLife REIT as of 31 December 2020:

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

PLIFE REIT MONTHLY TRADING PERFORMANCE IN FY2020



Source: Bloomberg

PLIFE REIT UNIT PRICE PERFORMANCE IN FY2020

	FY2019	FY2020
Opening Price (S$)	2.63	3.37
Closing Price (S$)	3.32	3.87
High (S$)[3]	3.40	4.52
Low (S$)[4]	2.61	2.56
Trading volume (million units)[5]	128.84	225.28
% of S-REIT Trading Volume	0.32%	0.45%
Market Capitalisation (S$ million)[6]	2,008.61	2,341.36

Source: Bloomberg

1 Sum of trading volume in the respective months
2 Based on the closing price at the end of the month
3 Based on the Intra-day high price
4 Based on the Intra-day low price
5 Total trading volume for the respective financial year
6 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 fourth 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 people's well-being and compliance with regulations. 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 a 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 a review of the material ESG factors identified last year and determined that these factors remain our most relevant ESG focus areas. In our 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 practice 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 2020 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 organisation has interacted on environmental or social issues

REPORTING SCOPE

This report covers PLife REIT's well-diversified portfolio of 54 properties as at 31 December 2020, 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 49 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[1], 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 comprises 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 a Sustainability Task Force ("STF") which comprises 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 practices 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.

ASSESSMENT OF OUR ESG FACTORS

The Management carried out annual materiality assessment in order to identify the sustainability factors most material to us. We were supported in this process by an external consultant in the first year of reporting 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.

[1] Strata lots within the Medical Office Block (MOB Specialist Clinics)

SUSTAINABILITY REPORT

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 90 to 183 for more details.

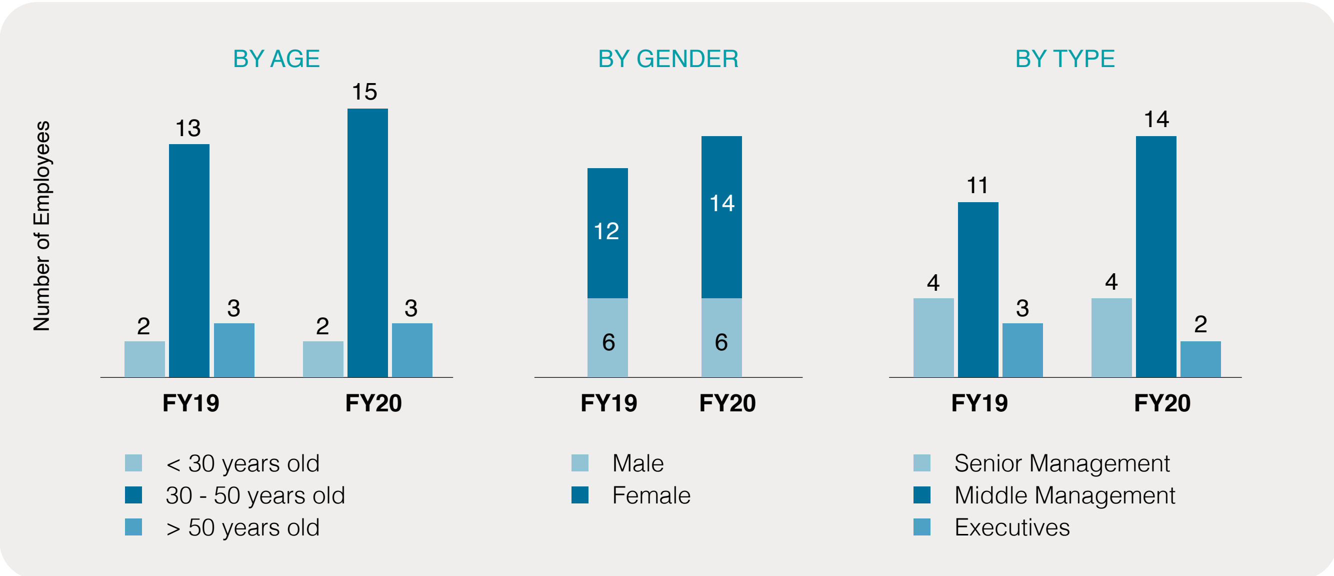
TALENT RETENTION

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 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 high turnover can be disruptive, the Manager is continuously investing in maintaining 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 mutual accountability of 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.

As at 31 December 2020, the Manager has a total staff strength of 20. During the year, the Manager hired 3 new staff, including the backfilling of a position vacated in end 2019. As one of the new hires only joined effective January 2021, the overall employee base as at 31 December 2020 stood at 20 as compared to 18 employees in 2019. The majority of employees, aged between 30 – 50 years-old, constitutes 75% of the Manager's workforce. The total workforce is made up of about 70% females and 30% males. The average tenure of the employee is approximately 8.45 years and 75% of the employees have been with the Manager for more than 5 years. All our employees are permanent and based locally.

STAFF DIVERSITY



Policies and Guides:	2020 Performance:	2021 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 on 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. In the past years, to further encourage employee interaction outside the office environment, the Manager organised corporate retreats for employees to relax and recharge. However, due to the COVID-19 pandemic, the company off-site activities for the year are being put on hold.

To ensure the company remains operationally viable and to protect our staff during this virus outbreak period, the Manager activated its business continuity plan and the company was segregated into split team arrangements. For the health and safety of the employees, safe management measures in accordance with the authorities' guidelines were accordingly implemented within the office premise. To minimise COVID-19 transmission risk, the Manager encourages work-from-home as the default mode of work arrangement where all staff were issued with thermometers, face masks and sanitising supplies. For more effective telecommuting, the Manager is stepping up on its IT and technical support and continues to ensure the well-being of all its staff during these trying times through regular check-in sessions and the arrangement of tokens of appreciation such as healthy snack boxes and festive gift packs.

The Manager also has a long-term incentive plan for retention of key personnel in place. Apart from ensuring that the staff are competitively remunerated, we also 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, 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 the pernicious effects of COVID-19 place increasing pressure on all industries and sectors, including healthcare, it is imperative for PLife REIT to stand in solidarity with its tenants to ride through this unprecedented challenging period together. In line with PLife REIT's ethos of working in collaboration with its strategic partners for sustainable long-term relationships, the REIT set aside S$1.7 million to provide targeted assistance and support measures for its affected tenants, as needed. As at to date, approximately 70% of the amount set aside has been utilised. PLife REIT continues to monitor the COVID-19 situation closely and adapt its tenant support measures for its portfolio accordingly.

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 build their core and functional competencies and to keep abreast of the latest changes in the industry and 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 2020, the average training hours per employee was approximately 12.7 hours.

INVESTMENT & ASSET MANAGEMENT

The investment and asset management decisions and activities are 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 are governed by the internal investment guidelines 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 2020, PLife REIT has completed the acquisition of a nursing home 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:	2020 Performance:	2021 Target:
Operator sustainability (social) performance	Operating Policy Building Lease Agreement	**Target met** – 100% of our new acquisition 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:	2020 Performance:	2021 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	100% of our assets to have a 10-year CAPEX projection
		Target met – 100% of our assets were checked for enhancement opportunities in the last year	100% of our assets to be regularly checked for enhancement opportunities

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 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 valuation 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.

SUSTAINABILITY REPORT

ACTIVE OWNERSHIP/CAPITAL EXPENDITURE ("CAPEX") INVESTMENTS

For the REIT's portfolio of assets which are largely on master lease arrangements, the day-to-day running and maintenance of the assets are performed by the operators. Nonetheless, as part of our active ownership strategy, we regularly review and manage the CAPEX requirements of our assets to ensure sustainability of value and use in the long-run. A 10-year CAPEX projection, tailored to the specific needs of each asset and its operator, is being developed and periodically reviewed to ensure relevancy. Since 2018, we have expanded our review to include assessment of environmental, social and governance factors. Recognising the specialised nature of healthcare assets, we value the importance of fostering strong relationships with our operators. Working closely with them, we seek to support their operational needs through implementation of collaborative asset enhancement initiatives ("AEI") for the assets. Past AEIs for the REIT's portfolio illustrating our joint efforts with the operator in driving sustainability include, the installation of energy efficient equipment at various properties as well as refurbishment works to maintain the competitiveness of some of the older properties. In 2020, despite the travel restrictions due to COVID-19 pandemic, we continue to liaise closely with our Japan Asset Managers and operators who remain committed in putting in place precautionary measures at the properties to safeguard the well-being of the residents and staff and minimise operational disruptions at the properties. As a form of support and token of appreciation for all our Japan partners and operators, COVID-19 preventive supplies (masks, gloves and sanitisers) as well as some snacks were delivered and the gesture was well received.

In 2020, we had also dedicated CAPEX investments to enhance the safety, reliability and environmental sustainability of properties, such as:

- Replaced direct current (DC) motor to electronically communicated (EC) motor for the air-conditional and mechanical ventilation equipment for the Singapore hospitals;
- Replaced lifts with variable voltage and variable frequency (VVVF) drive and enhanced with sleep mode features for the Singapore hospitals;
- Replaced hot water system with energy efficient air source heat pumps for the Singapore hospitals;
- Sustainable design and planning are considered, where feasible during the replacement of existing equipment;
- Exploring Green Mark initiatives with hospital operator.

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. Compliance for PLife REIT generally covers the following areas:

- Compliance with CMS License for Real Estate Investment Trust Management issued by the Monetary Authority of Singapore ("MAS")
- Compliance with Anti-Corruption and Anti-Money Laundering regulation
- Compliance with Data Protection
- Compliance with health and safety regulations of our properties

2020 Performance:	2021 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

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

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.

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 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 61 to 84 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 scheduled replacement of facilities and equipment which PLife REIT (as Lessor) is responsible for and we maintain an oversight of the maintenance of the properties by the operators. 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.

ENTERPRISE RISK MANAGEMENT REPORT

Proactive and effective risk management plays a critical role in PLife REIT's operations. While all operations are aligned to PLife REIT's focus on generating rental income to deliver regular and stable distributions and achieve long-term growth for our Unitholders, the Board of Directors ("Board") of the Manager is cognisant of the risks entailed, be it inherent or operational, and endeavours to maintain a robust internal controls and risk management system to safeguard the interest of Unitholders and the Group's business and assets. The internal control system incorporates risk management and this system encompasses 3 key principles that facilitate an effective and efficient operation, enabling the Manager and the Group to respond to a variety of operational, financial, compliance, environmental, human capital, and information technology risks. These principles include:

- **Corporate Culture** – Build a strong risk management and control culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks.
- **Organisation Structure** – Put in place an organisation structure that ensures proper segregation of duties, defines risk management responsibility and authority and promotes ownership and accountability of risk management.
- **Process** – Implement robust and effective processes and systems for identification, monitoring and controls of risk.

The following outlines the key aspects and approaches of the risk management process of PLife REIT:

(1) GOVERNANCE

The Board has the ultimate overall responsibility for the internal controls and risk management systems. The Board is assisted by the Audit Committee which provides dedicated oversight of internal controls and risk management system of PLife REIT and its subsidiaries ("Group").

(2) ERM FRAMEWORK AND POLICIES

The Manager maintains a robust risk management system to assess, mitigate, and monitor risks, and this has been implemented through an Enterprise Risk Management ("ERM") programme. An overall framework for ERM has been put in place and documented in the Manager's Risk Management Policy. The Risk Management Policy sets out the responsibility of the Board and Audit Committee, the structure and responsibilities of the ERM Committee who is responsible for oversight and monitoring of risk and operations of risk countermeasures. The ERM Committee comprises head of department of the Manager from the operational, financial and technical areas, and is responsible for managing risks in their respective areas by identifying key risks that may affect the risk exposure of the Manager and the Group, and evaluating the relevancy and adequacy of existing controls and mitigating factors associated with the risks.

The ERM process entails assessment of key risks that are relevant to the Manager and the Group based on the business and macro conditions of the current year, taking into consideration the strategic goals and broad value drivers of PLife REIT. An external risk consultant is engaged to facilitate the ERM process and the Manager works closely with the external risk consultant to conduct regular risk workshops for a structured approach of identification and assessment of risks and the risk appetite of the Group. The external risk consultant also validates the sufficiency and adequacy of the internal controls and the mitigating factors associated with the key risks identified on an annual basis by reviewing the control self-assessment on the key risks identified which requires respective risk owners to identify, assess and document material risks along with their key controls and mitigating measures.

The Group's risk profile is reviewed on a semi-annual basis and identified key risks are reported to the Audit Committee. The key risks are reported to the Board on an annual basis. If any material non-compliance and internal control weaknesses are identified during the ERM assessment, the recommendations to address them and the mitigating controls or gaps (if any) will also be reported to the Audit Committee and the Board accordingly.

(3) KEY RISKS IDENTIFIED IN FY2020

The Manager identifies key risks, assesses their likelihood and materiality to the Group's businesses, and documents their corresponding controls and mitigating factors in a risk register. The key risks that were identified in FY2020 include:

Investment risk

All investment proposals (such as asset enhancement initiatives of existing properties or acquisitions of new properties) are subject to rigorous and disciplined assessment by the Manager to consider the appropriateness of the potential transaction before making a recommendation to the Board. The Manager adheres to a stringent set of policies and procedures and conducts comprehensive due diligence reviews to address the legal, financial, tax and physical property aspects of the investments. During the unprecedented outbreak of the COVID-19 pandemic, some modification to the due diligence process has been made to ensure the required evaluation is still carried out within the current constraints.

Rent Review Mechanism and/or Lease Restructuring Opportunities/ Divestment

In ensuring sustainable returns throughout the life cycles of the properties, the Manager put in place relevant measures such as prompt lease renewals, prudent control of property expenses and an annual capital expenditure programme to maintain and enhance PLife REIT's properties. For new acquisitions, terms and conditions will be negotiated to incorporate periodic rental review clauses. Monthly management meetings are also conducted to discuss asset recycling opportunities and initiatives as well as potential properties for divestment, if any, to unlock value for better yield investments. In addition, the Board is provided with quarterly updates on key operational activities of the Group. As the Singapore hospital properties contribute close to 60% of PLife REIT's gross revenue and the leases are due for expiry in August 2022, the Group began reviewing the terms of its Singapore portfolio lease renewal in 2019.

Capital Availability/ Financing/ Refinancing

The ability to raise funds from both banks and capital markets has enabled PLife REIT to diversify its sources of funding to avoid over-reliance on any single source of funding. To mitigate immediate refinancing risks post acquisition, the Manager is mindful to put in place long-term financing (at least 3 years or more). In addition, the Manager is constantly monitoring the market to extend debt maturities and typically pre-emptively refinance maturing loans ahead of maturity. PLife REIT aims to have no more than 30% of its total debts due in a single year, to avoid a bunching effect. The Manager also put in place policies and designated personnel to observe the compliance of the financial covenants in loan agreements and the leverage limit regulated under the MAS' Property Funds Appendix. The Board is kept apprised on PLife REIT's debt and capital management at every meeting held quarterly. There is no long-term debt refinancing need till 2022.

Geographical Expansion/ Competitor/ Property Acquisitions/ Industry

Geographical expansion can expose PLife REIT to risks associated with a number of local real estate market conditions, such as changes in local regulations, capital values of properties or the demand for healthcare and healthcare-related assets in regions where the Group plans to expand. This includes competition for attractive investment opportunities from other real estate investors, healthcare property development companies, private investment funds and other real estate investment funds with similar investment mandate to PLife REIT. Black-swan events such as the COVID-19 pandemic which has adversely affected worldwide economies will in turn impact the submarkets which PLife REIT has currently invested in or plans to invest into.

To mitigate such risks, PLife REIT carries out various measures:

- Aim to diversify into new markets
- Work closely with the Sponsor and third parties to identify new opportunities and growth platforms
- Monitor asset class concentration
- Target to focus on more mature markets such as Singapore, Japan, Australia, Malaysia, Europe, and UK
- Observe established quantitative and qualitative investment criteria
- Monitor, evaluate, and assess and the effects of black swan events such as the COVID-19 pandemic and its risk implications to the Group's business and sectors

Leadership Development and Retention

The Manager has established a framework for management succession planning, with the key objective to identify and groom potential successors for critical roles within the Manager, in the event of any disruption to business operations due to attrition of key personnel. Assessment was performed to identify the critical roles within the Manager as well as to identify potential successors and implement development plans. The Manager conducts staff performance reviews and discusses career progression opportunities for all staff on an annual basis. The head of departments of the Manager

ENTERPRISE RISK MANAGEMENT REPORT

are tasked to look after human resource matters and career development plans for the staff. The Manager also conducts salary benchmarking exercise regularly to ensure that its staff are competitively remunerated vis-à-vis the market and that the salary adjustments are based on performance. The Manager also promotes a conducive family-like working environment.

Credit Default (Tenants)
The Group has put in place procedures to assess the credit worthiness of the lessees to safeguard its cashflow stability. Periodic review of the existing lessees was conducted which includes checks on their financial status to assess the likelihood of potential rent default. Overseas revenue is further secured through the following means:

- Three to six months' security deposits have been collected in advance for Japan properties;
- Some property operators were required to pay an additional security deposit should the occupancy rate drop below a certain percentage

During the period of COVID-19, the Group has worked closely with the lessees to ensure timely receipt of rent amidst the pandemic and had set aside a relief package should assistance be required. As at 31 December 2020, approximately 70% of the amount set aside has been utilised.

Catastrophic Loss (including COVID-19)
The Group reviews the insurance procurement of PLife REIT's assets on an annual basis, to ensure that the entire portfolio is adequately insured. On the whole, PLife REIT's portfolio is secured with standard insurance covers such as property damage, business interruption as well as liability insurances.

Recognising specific risk associated with the respective portfolios, additional insurance covers are also put in place, where deemed appropriate, to mitigate such risk.

In consideration of the heightened terrorist attacks worldwide, PLife REIT worked with the respective MCSTs to secure terrorism insurance covers for two of its Singapore hospital properties, Mount Elizabeth Hospital and Gleneagles Hospital, which are centrally located and deemed to face higher terrorism risks.

For the Japan portfolio, earthquake insurance is procured on a "Policy Limit" basis, to reasonably manage the inherent risk associated with the Japan properties. With PLife REIT's Japan portfolio well diversified across various prefectures, concentration risk is lowered. In assessing the sum insured for the earthquake insurance, a fine balance was sought between costs and coverage. With all our Japan properties built in accordance with strict seismic compliance and as earthquake ("EQ") tends to impact the properties within the same region, the basis of determining the EQ sum insured is to ensure that the amount is at least sufficient to cover the total estimated loss of our most concentrated region on probable maximum loss basis or in the unfortunate event of total destruction, the cost of rebuilding our highest cost property.

In view of the COVID-19 pandemic, the insurers no longer provide infectious / communicable disease coverage for the Singapore properties business interruption policies.

In addition, Business Continuity Plan ("BCP") has been established for PLife REIT's entire portfolio, to minimise the potential impact of disruptions to critical businesses from events such as terrorism, pandemics, and natural disasters. Service providers, as well as tenants, are required to be involved in drills to ensure operational preparedness.

Interest rate and foreign exchange
To maintain stable distributions and the steady net asset value of PLife REIT, the Manager exercises prudent financial risk management to manage the exposure to interest rate volatility on its borrowings and foreign exchange risk on foreign investments. The Manager constantly monitors the exposure and utilises various financial instruments, such as interest rate swaps, interest rate caps and fixed rate cross currency swaps to hedge against the market fluctuations. The Group adopts a natural hedge strategy for its Japanese investments to maintain a stable net asset value and has also entered into foreign currency forward contracts to hedge the net foreign income from Japan. Our policy is to hedge at least 50% (up to 100%) of all financial risks. As of 31 December 2020, about 87% of interest rate exposure is hedged and the Group has put in place JPY forward contracts till 2Q 2025.

Infrastructure and Access (Cybersecurity)
Information Technology ("IT") plays a vital role in the sustainability of the business and the Manager is cognisant of the evolving risks in technology and cyber security. IT system failures may cause substantial downtime in business operation and adversely affect operational efficiency or unauthorised access.

As part of the BCP, the Manager puts in place an IT disaster recovery plan to ensure systematic offsite back-up and retrieval of data. The BCP has been tested to the fullest during the year in light of the work-from-home arrangement since the Circuit Breaker.

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 2018 ("CG Code"). They encompass proactive measures for avoiding 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 complied with the CG Code in all material respects and to the extent that there are any deviations from the CG Code, the Manager will provide explanations for such deviation and details of the alternative practices which have been adopted by the Company which are consistent with the intent of the relevant principle of the CG Code.

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: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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 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. Such matters have been clearly communicated to the management in writing. 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 Board recognises that Directors of the Manager have the fiduciary duties to act objectively in the best interest of PLife REIT and hold the management accountable for performance. As such, any Director who has or appears to have a direct/deemed interest that may conflict with a subject under discussion by the Board shall declare his interest and recuse himself from the information flow and discussion of the subject matter. He will also abstain from any decision-making on the subject matter. The Manager adopts the holding company's group policy on code of conduct with necessary adaptation to its business and the applicable legal requirements. The core basic values of the code of conduct include upholding ethical standards of professional practice, to treat all internal and external parties with mutual respect and without prejudice, to uphold the confidential information relating to its business and to avoid conflict of interest. At the management level, all Manager's staff shall abide by the code of conduct, policies and guidelines pertaining to employment and accountability.

The number of Board and Board committee meetings during the financial year ended 31 December 2020 ("FY2020"), 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	Annual General Meeting
Mr. Ho Kian Guan	5	4	-	1
Dr. Jennifer Lee Gek Choo	5	4	1	1
Ms. Cheah Sui Ling	5	4	1	1
Dr. Kelvin Loh Chi-Keon	5	-	1	1
Ms. Rossana Annizah Binti Ahmad Rashid	5	-	-	1
Mr. Low Soon Teck	5	-	-	1
Mr. Sim Heng Joo Joe	4	-	-	1
Mr. Yong Yean Chau	5	-	-	1
No. of Meetings held in FY2020	**5**	**4**	**1**	**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. All newly-appointed directors receive letters of appointment explaining their roles, duties and obligations as a director of the Manager. Orientation and induction programmes will be conducted for new directors, which include briefings on the Board structure and responsibilities and overall strategic business plans and direction for PLife REIT. New directors will also be briefed on their duties and statutory obligations as a director of the Manager. First-time directors will also be provided training in areas such as accounting, legal and industry-specific knowledge as appropriate. In compliance with the training requirements under Rule 210(5)(a) of the Listing Manual, Mr. Sim Heng Joo Joe who was appointed to the Board on 30 November 2019, has completed the following core modules of the Listed Entity Director Programme:

(i) LED 1 – Listed Entity Director Essentials, completed on 16 July 2020;
(ii) LED 2 – Board Dynamics, completed on 17 July 2020;
(iii) LED 3 – Board Performance, completed on 17 March 2020; and
(iv) LED 4 – Stakeholder Engagement, completed on 20 July 2020.

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 at least 5 days in advance before the scheduled meetings so that directors have sufficient time to review and consider matters being tabled and discussed at the meetings. The senior executives are also requested to attend the Board meetings to provide insights into matters being discussed and to respond to any queries from the directors.

The Board has separate and independent access to management and the company secretary at all times. The Board is entitled to request from management and is provided with such additional information in a timely manner as needed to make informed decisions. The company secretary attends to corporate secretarial administration, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The company secretary also attends all Board meetings. The appointment and removal of the company secretary is a Board reserved matter. The Board also has access to independent professional advice where appropriate, at the Manager's expense.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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. Kelvin Loh Chi-Keon	Non-Executive Director	-	Member
Ms. Rossana Annizah Binti Ahmad Rashid	Non-Executive Director	-	-
Mr. Low Soon Teck	Non-Executive Director	-	-
Mr. Sim Heng Joo Joe	Non-Executive Director	-	-
Mr. Yong Yean Chau	Executive Director	-	-

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.

When evaluating the independence of the Directors, the Board follows the guidance in the CG Code where an "independent" director is defined as one who is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of a director's independent business judgement in the best interests 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 ("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.

For FY2020, the NRC has conducted an annual review of the directors' independence taking into consideration the independence criteria given in the CG Code and the SFLCB Regulations. The NRC considered 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. In view of the above, at least one-third of the Board comprises Independent Directors.

The Board has considered the relevant requirements under the SFLCB Regulations and its views in respect of each of the Directors as follows:

Name of Director	(i) had been independent from the management of the Manager and PLife REIT during FY2020	(ii) had been independent from any business relationship with the Manager and PLife REIT during FY2020	(iii) had been independent from every substantial shareholder of the Manager and every substantial unitholder of PLife REIT during FY2020	(iv) had not been a substantial shareholder of the Manager or a substantial unitholder of PLife REIT during FY2020	(v) has not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2020
Mr. Ho Kian Guan	✓	✓	✓	✓	✓
Dr. Jennifer Lee Gek Choo	✓	✓	✓	✓	✓
Ms. Cheah Sui Ling	✓	✓	✓	✓	✓
Dr. Kelvin Loh Chi-Keon[1]		✓		✓	✓
Ms. Rossana Annizah Binti Ahmad Rashid[1]		✓		✓	✓
Mr. Low Soon Teck[1]		✓		✓	✓
Mr. Sim Heng Joo Joe[1]		✓		✓	✓
Mr. Yong Yean Chau[1]		✓		✓	

Note:

1 Each of Dr. Kelvin Loh Chi-Keon and Mr. Sim Heng Joo Joe is currently employed by related corporation of the Manager and each of them is a director of various subsidiaries or associated companies of IHH Healthcare Berhad ("IHH") which wholly-owns the Manager and is a substantial unitholder of PLife REIT. Ms. Rossana Annizah is currently a director on the board of IHH and is accustomed to act in the accordance with the directions, instructions and wishes of IHH. Mr. Low was employed by IHH until 12 August 2020. Mr. Yong Yean Chau is currently the Executive Director and Chief Executive Officer of the Manager, which is wholly-owned by IHH. As such, during FY2020, each of them is deemed (a) to have a management relationship with the Manager and PLife REIT; and (b) connected to a substantial shareholder of the Manager and substantial unitholder.

The Board of the Manager is satisfied that, as at 31 December 2020, each of them was able to act in the best interests of all Unitholders of PLife REIT as a whole. For the purposes of Regulation 13E(b)(ii) of the SFLCB Regulations, as at 31 December 2020, each of the abovementioned directors were able to act in the best interests of all the Unitholders as a whole.

The Board has not appointed a lead independent director given that the Chairman is an independent director who is not part of the management team, as described under section of "Chairman and CEO" below.

CORPORATE GOVERNANCE

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 and/or independent directors meet regularly without the presence of the management on a need-to basis, and feedback will be communicated by the chairman of such meetings to the Chairman of the Board or the Board, as appropriate.

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 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 (Board is guided by their policies on gender and age 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. During the financial year 2020, the Board has reviewed its composition, the level of independence and diversity of the Board and is satisfied that the existing size and composition is appropriate in facilitating effective decision-making and constructive debate, 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 profiles of the directors are set out on pages 14 to 19 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and the Management, and no one individual has unfettered powers of decision-making.*

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 and written 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: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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. Kelvin Loh Chi-Keon, 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 award to attract, retain and motivate the executive director and key management personnel needed to manage 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 and key management personnel;

(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

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.

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. Pursuant to Rule 720(6) of the Listing Manual, information relating to the directors who will be subject to Unitholders' endorsement or re-endorsement at the upcoming AGM is provided on pages 79 to 84 of this Annual Report.

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 and the NRC have assessed the effectiveness and performance of the Board and its Board Committees on an annual basis. Based on the attendance and level of participation at the Board and Board Committee meetings held in the financial year, all directors were able to adequately and diligently carry out their duties.

BOARD PERFORMANCE

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

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 is 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.

REMUNERATION MATTERS

Principle 6: *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

Principle 8: *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

As highlighted above, the NRC reviews and recommends to the Board a general framework of remuneration for the Board and the key management personnel. The NRC reviews and recommends to the Board the specific remuneration packages for each Director and key management personnel to ensure that the remuneration payable is in line with the objectives of the Manager's remuneration guidelines.

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 financial KPI entails distributable income of PLife REIT and the non-financial KPIs entail analyst coverage, tenant satisfaction, retention of key staff and regulatory compliance ("Performance Criteria").

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 based on their value creation capability, being the ability in contributing and achieving the Performance Criteria in their respective roles, and the overall performance of PLife REIT for the financial year.

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 non-executive Directors receive their Directors' fees in accordance with their various levels of contributions, taking into account factors such as their responsibilities, effort and time spent for serving on the Board and the Board Committees, and their value creation capability, being the Directors' ability to provide valuable experiences and expertise in various aspects of PLife REIT's operations and providing stewardship to PLife REIT and the management of the Manager. 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. In discharging their duties, the NRC may seek advice from external consultants, whenever necessary.

CORPORATE GOVERNANCE

Directors' Fees

The director's remuneration of the following non-executive directors for the FY2020 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	-	-	-	-	-	-	110,000
Dr. Jennifer Lee Gek Choo	100	-	-	-	-	-	-	87,000
Ms. Cheah Sui Ling	100	-	-	-	-	-	-	92,000
Dr. Kelvin Loh Chi-Keon[1]	100	-	-	-	-	-	-	59,000
Ms. Rossana Annizah Binti Ahmad Rashid	100	-	-	-	-	-	-	50,000
Mr. Low Soon Teck[2]	100	-	-	-	-	-	-	50,000
Mr. Sim Heng Joo Joe[1]	100	-	-	-	-	-	-	50,000

Notes:
[1] Director's fees are paid to Parkway Group Healthcare Pte. Ltd.
[2] Director's fee from 1 January 2020 to 12 August 2020 is 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 154 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.

The NRC considers all aspects of remuneration, including termination terms, to ensure they are fair. For FY2020, 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$100,000 during the FY2020. "Immediate family member" means the spouse, child, adopted child, stepchild, sibling and parent.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

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.

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 Board meets regularly to review the operations of the Manager, the business risks of PLife REIT, examine liability management and will act upon any comments from the auditors of PLife REIT.

To ensure a robust risk management system is maintained, the Manager has put in place an Enterprise Risk Management ("ERM") framework and policies to determine the nature and the extent of the significant financial, operational, compliance and information technology risks in order to achieve strategic objectives and value creation of PLife REIT. An outline of the Manager's ERM framework and policies is set out on pages 58 to 60 of this Annual Report. 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 AC, through the assistance of internal and external auditors and the external risk consultant, reviews and reports to the Board on the adequacy and effectiveness of the Manager's internal control systems, including financial, compliance, operational and information technology controls.

The AC and the Board review the adequacy and efficiency of the risk management system and internal controls on an annual basis. Based on the up-to-date evaluation of the controls by the internal and external auditors and the external risk consultant, the CEO and the Chief Financial Officer ("CFO") of the Manager have provided written 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 for FY2020. The CEO, the CFO, the Chief Investment Officer ("CIO") and Chief Portfolio Officer ("CPO") have also provided the Board with written assurance that 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;

CORPORATE GOVERNANCE

(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.

The Board believes that the ERM framework is adequate and effective taking into account the size of PLife REIT and the business environment it operates in. The Board has also observed that the management, being familiar with the ERM framework, implements it effectively and provides the AC and the Board with timely updates on risk management activities. In relation to the Manager's internal controls, the Board derives comfort that such internal controls are being audited by both internal and external auditors on an annual basis and any lapses in internal controls are promptly brought to the attention of the Board in order for corrective measures to be implemented as soon as practicable. The AC concurs with the Board's comments regarding PLife REIT's internal controls and risk management systems provided in the foregoing.

Taking into account the abovementioned evaluation of the controls by the internal and external auditors and the external risk consultant, the review by the Manager's ERM committee, and the assurance received from the CEO, CFO, CIO and CPO of the Manager, the Board is of the opinion that PLife REIT's financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2020. For the financial year ended 31 December 2020, the Board and the AC have not identified any material weaknesses in the Manager's internal controls and risk management systems.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

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 the policy and 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 safely raised, independently investigated, and for appropriate follow-up action to be taken;

(c) reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

(d) reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with;

(e) reviewing, on an annual basis, the internal audit function to ensure that is adequately resourced, is independent of the activities it audits, has appropriate standing within the Manager, is staffed with persons with the relevant qualifications and experience and has unfettered access to all documents, records, properties and personnel, including access to the AC;

(f) monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code including the Property Funds Appendix;

(g) reviewing the nature and extent of non-audit services performed by external auditors;

(h) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function;

(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 adequacy and effectiveness of the internal controls and risk management systems at least annually;

(l) 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;

(m) reviewing the assurance from the CEO and the CFO on the financial records and financial statements and the assurance from the key management personnel regarding the adequacy and effectiveness of the risk management and internal control systems;

(n) investigating any matters within the AC's terms of reference, whenever it deems necessary;

(o) reporting to the Board on material matters, findings and recommendations; and

(p) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the remuneration and terms of engagement 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:
- financial statements of PLife REIT before the announcement of quarterly and full-year results of PLife REIT;
- reports on audit findings reported by the internal and external auditors;
- 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; and
- 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 FY2020, the aggregate amount of fees paid and payable by PLife REIT to the external auditors was S$328,000, comprising non-audit service fees of S$67,000 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.

CORPORATE GOVERNANCE

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

The AC does not comprise former partners or directors of the Manager's and PLife REIT's external auditors, within a period of two years, or who holds any financial interest in the existing auditors engaged by PLife REIT and the Manager.

INTERNAL AUDIT

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 internal auditor has unfettered access to all documents, records, properties and personnel in the Manager, including unrestricted access to the AC, the Board and the Management. 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.

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.

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Principle 11: *The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.*

Principle 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

Principle 13: *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

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, various stakeholders and the investing community, and has put in place an investor relations policy which sets out the policies and practices which the Manager adopted. Investors can also subscribe to email alerts of all announcements and press releases issued by PLife REIT or submit questions at their convenience via an enquiry form on PLife REIT's corporate website.

The investor relations function is headed by the CEO and the CFO 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. The sustainability report of the PLife REIT set out on pages 50 to 57 of this Annual Report provide PLife REIT's approach to address stakeholders' concerns and methods of engagement and also sets out the key areas of focus in relation to the management of stakeholders for the financial year ended 31 December 2020.

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. In view of the COVID-19 pandemic, PLife REIT's AGM held in 2020 was by electronic means in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangement for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("Alternate Arrangement for AGM"). The Unitholders were encouraged to attend the AGM via electronic means, to submit questions in advance of the AGM and to vote via proxy form. The live webcast of the AGM was chaired by the Manager's Board Chairman in the presence of the CEO and CFO of the Manager. The other directors and company secretary of the Manager had joined the AGM through video conference, while the representatives of the Trustee and the independent auditors of PLife REIT had attended the AGM through webcast. The live webcast of the AGM was accessible by the Unitholders either via live audio-visual webcast or live audio-only streamed. The substantial and relevant questions from the Unitholders were addressed prior to the AGM via announcement on the SGXNET, and selective questions were also addressed during the live webcast of the AGM by the CEO and CFO of the Manager.

The following are the usual AGM arrangements of PLife REIT when there is no COVID-19 pandemic risk and the Alternate Arrangement for AGM is not in force.

All Unitholders are entitled to attend and vote at general meetings in person or by proxy. The directors of the Manager attend the AGMs and the external auditors are also present to address Unitholders' queries including queries about the conduct of audit and the preparation and content of the auditors' report.

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. The minutes of general meetings, which include substantial comments or queries raised by Unitholders and the responses from the Board and management are made available on PLife REIT's corporate website.

CORPORATE GOVERNANCE

In support of the greater transparency of voting in AGM and good corporate governance, the Manager employed electronic polling 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. If any Unitholder is unable to attend the AGM, the Trust Deed allows for the Unitholder to appoint up to two proxies to attend, speak and vote on his/her behalf at the general meeting.

Please refer to page 137 of this Annual Report on the distribution policy and "Distribution Statements" on page 99 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 with 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.

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 and recuse from meetings and decisions in respect of such matters. In such matters, the quorum must comprise a majority of the independent directors and must exclude the nominee directors of the Sponsor and/or its subsidiaries.

(f) In respect of matters in which a director or his associates have an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Board and must exclude such interested director.

(g) Under the Trust Deed, the Manager and its associates are prohibited from being counted in a quorum for or voting at any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest. For so long as the Manager 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 the Manager 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.

CORPORATE GOVERNANCE

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 on which the terms were arrived at, 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.

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 184 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.

Additional Information on Endorsement or Re-Endorsement of Appointment of Directors (as the case may be) (Information required pursuant to Appendix 7.4.1 of the Listing Manual)

	Rossana Annizah Binti Ahmad Rashid	Cheah Sui Ling
Date of Appointment	16 November 2015	24 April 2017
Date of last endorsement or re-endorsement of appointment (as the case may be)	30 April 2018	30 April 2018
Age	55	49
Country of principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Ms. Rossana was nominated by Parkway Holdings Limited, the holding company of the Manager. The NRC of the Manager has reviewed the qualification and experience of Ms. Rossana and recommended to the Board the appointment of Ms. Rossana as a Non-Executive Director of the Manager. The Board considered the recommendation of NRC and approved the appointment of Ms. Rossana.	At the recommendation of the NRC of the Manager, the Board has reviewed and considered the background and experience of Ms. Cheah and approved the appointment of Ms. Cheah as Independent Director, Chairman of Audit Committee and member of NRC.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive

CORPORATE GOVERNANCE

	Rossana Annizah Binti Ahmad Rashid	Cheah Sui Ling
Job Title	Non-Executive Director	Independent Director, Chairman of the Audit Committee and member of the Nominating and Remuneration Committee
Professional qualifications	• Bachelor of Arts in Banking and Finance, Canberra College of Advanced Education (now known as the University of Canberra), Australia. • CPA Australia	• BA, Economics and French, Wellesley College, Massachusetts, USA
Working experience and occupation(s) during the past 10 years	• October 2012 to July 2014 – Deputy Chief Executive Officer, Timedotcom Berhad, Malaysia • May 2003 to May 2011 – Chief Financial Officer, Maxis Berhad, Malaysia	• October 2016 to Present – Operation Partner, Wavemaker Partners, Singapore • October 2014 to September 2016 – Vice Chairman (Non-Executive), Avista Advisory Group, Singapore • November 2009 to June 2013 – Co-head of Corporate Finance SEA, BNP Paribas, Singapore
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Ms. Rossana is an Independent Director of IHH Healthcare Berhad, the substantial unitholder of PLife REIT	Nil
Conflict of Interest (including any competing business)	Nil, except for the directorship held by Ms. Rossana in IHH Healthcare Berhad	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	• Director of Parkway Pantai Limited • Director of Jardine Lloyd Thompson Sdn Bhd	Nil

	Rossana Annizah Binti Ahmad Rashid	Cheah Sui Ling
Present	• Independent Non-Executive Director of IHH Healthcare Berhad • Chairman of Bank Simpanan Nasional • Chairman of Prudential BSN Takaful Berhad • Group Country Chairman and Director of Jardine Matheson (Malaysia) Sdn Bhd • Deputy Chairman and Non-Independent, Non-Executive Director of Cycle & Carriage Bintang Berhad • Member of Investment Panel & Investment Panel Risk Committee of the Employees Provident Fund Malaysia • Independent Non-Executive Director of Celcom Axiata Berhad • Independent Non-Executive Director of edotco Group Sdn Bhd	• 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 • Independent Non-Executive Director of TeleChoice International Limited
Information required pursuant to Appendix 7.4.1 of the Listing Manual		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

CORPORATE GOVERNANCE

	Rossana Annizah Binti Ahmad Rashid	Cheah Sui Ling
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

	Rossana Annizah Binti Ahmad Rashid	Cheah Sui Ling
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE

	Rossana Annizah Binti Ahmad Rashid	Cheah Sui Ling
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No No	No No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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	<u>Base Fee</u> 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"). <u>Performance Fee</u> 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	<u>Acquisition Fee</u> 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.

DISCLOSURE ON FEES

	Fees payable by PLife REIT	Amount payable to the Manager
		Unless required under the Property Funds Appendix to be paid in the form of Units only, the Manager may opt to receive such Acquisition Fee in the form of cash or Units or a combination of cash and Units as it may determine. Units representing the Acquisition Fee or any part thereof will be issued at an issue price on a similar basis as that for the management fee. In the event the Manager receives Acquisition Fee in connection with a transaction with a related party, any such Acquisition Fee shall be paid in the form of Units.
3	Fee for divestment of properties	Divestment Fee 0.5% of the Enterprise Value of any real estate or real estate related asset sold or divested directly or indirectly by PLife REIT, pro-rated, if applicable, to the proportion of PLife REIT's interest. Unless required under the Property Funds Appendix to be paid in the form of Units only, the Manager may opt to receive such Divestment Fee in the form of cash or Units or a combination of cash and Units as it may determine. Units representing the Divestment Fee or any part thereof will be issued at an issue price on a similar basis as that for the management fee. Any payment to third party agents or brokers in connection with the divestment of any real estate or real estate related assets of PLife REIT shall be paid by PLife REIT. In the event the Manager receives Divestment Fee in connection with a transaction with a related party, any such Divestment Fee shall be paid in the form of Units.
4	Fee for lease management	Lease Management Fee 1.0% per annum of the revenue of the real estate held directly or indirectly by PLife REIT and managed by the Manager (excluding the Hospital Properties for the duration of the master lease arrangements). "Hospital Properties" shall mean the three private hospitals in Singapore owned by PLife REIT, comprising The Mount Elizabeth Hospital Property, The Gleneagles Hospital Property and The Parkway East Hospital Property. For the avoidance of doubt, no Lease Management Fee shall be payable to the Manager in respect of the Hospital Properties for the duration of the master lease agreements.
5	Fee for marketing services	Marketing Services Commission (i) one month's gross rent inclusive of service charge, for securing a lease of three years or less; (ii) two months' gross rent inclusive of service charge, for securing a lease of more than three years; (iii) half month's gross rent inclusive of service charge, for securing a renewal of lease of three years or less; and (iv) one month's gross rent inclusive of service charge, for securing a renewal of lease of more than three years.

	Fees payable by PLife REIT	Amount payable to the Manager
		If a third party agent secures a lease, the Manager will be responsible for any marketing services commission payable to such third party agent, and the Manager will be entitled to a marketing services commission of: (i) 1.2 months' gross rent inclusive of service charge for securing or renewal of a lease of three years or less; and (ii) 2.4 months' gross rent inclusive of service charge for securing or renewal of a lease of more than three years. The marketing services commission may be adjusted accordingly at the time of securing or renewal of a lease by the Manager or a third-party agent, to be consistent with and no higher than the prevailing market rates of such marketing services commission in the country where the real estate is located.
6	Fee for property management	<u>Property Management Fee</u> 2.0% per annum of the revenue of the real estate held directly or indirectly by PLife REIT and managed by the Manager (excluding the Hospital Properties for the duration of the master lease agreements). For the avoidance of doubt, no Property Management Fee shall be payable to the Manager in respect of the Hospital Properties for the duration of the master lease agreements.

The Manager is of the view that the fee structure of PLife REIT promotes alignment of interests between the Manager and the long-term interests of Unitholders. The rationale for each fee component is elaborated upon below:

Base Fee

As an external manager, the Manager manages the assets and liabilities of PLife REIT for the benefit of its Unitholders and should be fairly compensated for conducting the overall management of PLife REIT's various affairs, which includes, among others, formulation of business plans, execution of PLife REIT's strategies, performing data analytics, monitoring operating costs, evaluating asset enhancement initiatives and investment opportunities. Another key responsibility is ensuring that PLife REIT complies with the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and all other relevant laws and regulations, such as the listing manual of Singapore Exchange Securities Trading Limited ("Listing Manual"), the CIS Code (including the Property Funds Appendix), the Trust Deed, the tax ruling issued by Inland Revenue Authority of Singapore on the taxation of PLife REIT and its Unitholders and all relevant contracts entered on behalf of PLife REIT. The Base Fee compensates the Manager for establishing a core team of representatives who are appointed in accordance with the SFA to execute its responsibilities as manager of a real estate investment trust.

The Base Fee is linked to the value of all the assets of PLife REIT as the complexity and scope of work is commensurate to the size of PLife REIT's portfolio. In the event that the portfolio of PLife REIT grows, the degree and complexity of the Manager's responsibilities will correspondingly increase and the Manager has to be amply remunerated. This ensures that the Manager is able to dedicate its efforts to the growth of PLife REIT.

Performance Fees

With effect from 1 January 2016, the Performance Fee in respect of every calendar year shall be paid in arrears, no more frequent than once a year. The Performance Fee structure of PLife REIT will incentivise the Manager to seek continuous growth opportunities and encourage the Manager to act in the interests of Unitholders by increasing the rental income generated from the real estate held directly or indirectly by PLife REIT (the "Properties of PLife REIT") while reducing property level expenses. Accordingly, the Performance Fee incentivises the Manager to take a holistic and double-pronged approach towards the management of PLife REIT to improve the operating performance of PLife REIT so that the Manager may, together with Unitholders, enjoy a higher net property income.

DISCLOSURE ON FEES

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.

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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, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020) (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 97 to 183, 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

24 March 2021

STATEMENT BY THE MANAGER

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages 97 to 183 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 2020, 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

24 March 2021

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, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020)

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 2020, 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 97 to 183.

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 2020 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.

INDEPENDENT AUDITORS' REPORT

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.

<u>Valuation of investment properties (Refer to Portfolio Statements and Note 4 to the financial statements)</u>

Risk

As at 31 December 2020, the Group has 54 properties, including investment property held for sale (collectively "investment properties"). Investment properties represent the largest assets on the Statement of Financial Position, at approximately $2 billion as at 31 December 2020.

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

The valuation reports obtained from the external valuers in Singapore and Malaysia and certain valuer in Japan also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Given the unknown future impact that the novel coronavirus ("COVID-19") pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

Our response

We evaluated the qualifications, competence and objectivity of the external 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 types. We evaluated the appropriateness of the key assumptions used in the valuations by comparing them against historical rates, market comparable and industry data, taking into consideration comparability and market factors, as well as understand how the implications of the COVID-19 pandemic were considered in the valuations.

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 adopted by the valuers are in line with generally accepted market practices and the key assumptions applied are within the range of market data, after accounting for property specific conditions as at the date of the valuation.

INDEPENDENT AUDITORS' REPORT

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.

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.

INDEPENDENT AUDITORS' REPORT

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.

- 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.

INDEPENDENT AUDITORS' REPORT

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
24 March 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Non-current assets					
Investment properties	4	1,991,019	1,966,140	1,213,800	1,210,700
Interests in subsidiaries	5	–	–	603,205	567,182
Financial derivatives	6	4,362	3,018	4,362	3,018
		1,995,381	1,969,158	1,821,367	1,780,900
Current assets					
Financial derivatives	6	–	28	–	28
Trade and other receivables	7	18,060	11,971	39,701	61,683
Cash and cash equivalents	8	22,658	21,870	1,487	959
Asset held for sale	9	30,872	–	–	–
		71,590	33,869	41,188	62,670
Total assets		2,066,971	2,003,027	1,862,555	1,843,570
Current liabilities					
Financial derivatives	6	2,266	2,496	2,266	2,496
Trade and other payables	10	26,867	21,940	19,343	13,802
Current portion of security deposits		608	697	–	–
Loans and borrowings	11	163,022	77,745	163,022	77,745
Tax payables		2	2	–	–
Lease liabilities		14	14	–	–
		192,779	102,894	184,631	94,043
Non-current liabilities					
Financial derivatives	6	261	817	261	817
Non-current portion of security deposits		19,940	18,139	–	–
Loans and borrowings	11	628,502	662,288	628,502	662,288
Deferred tax liabilities	12	37,658	32,598	–	–
Deferred income		2,103	2,316	–	–
Lease liabilities		2,113	2,127	–	–
		690,577	718,285	628,763	663,105
Total liabilities		883,356	821,179	813,394	757,148
Net assets		1,183,615	1,181,848	1,049,161	1,086,422
Represented by:					
Unitholders' funds	13	1,183,615	1,181,848	1,049,161	1,086,422
Units in issue ('000)	14	605,002	605,002	605,002	605,002
Net asset value per unit ($)		1.96	1.95	1.73	1.80

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2020

		Group		Trust	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Gross revenue	15	120,892	115,222	89,175	87,826
Property expenses	16	(8,364)	(6,997)	(3,159)	(3,118)
Net property income		112,528	108,225	86,016	84,708
Management fees	17	(12,647)	(11,881)	(11,212)	(10,621)
Trust expenses	18	(3,739)	(3,074)	(2,949)	(2,291)
Interest income		7	10	–	–
Finance costs	19	(5,237)	(6,617)	(4,963)	(6,365)
Foreign exchange gain/(loss), net		90	(114)	(17,944)	52
Other expenses	20	(1,218)	–	(1,218)	–
		(22,744)	(21,676)	(38,286)	(19,225)
Total return before changes in fair value of financial derivatives and investment properties		89,784	86,549	47,730	65,483
Net change in fair value of financial derivatives		(823)	2,436	(2,317)	2,914
Net change in fair value of investment properties	4	7,428	43,019	1,870	44,316
Total return before income tax		96,389	132,004	47,283	112,713
Income tax expense	21	(9,165)	(8,607)	–	–
Total return for the year		87,224	123,397	47,283	112,713
Earnings per unit (cents)					
Basic and diluted	22	14.42	20.40	7.82	18.63

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Amount available for distribution to Unitholders at beginning of the year		20,257	19,872	20,257	19,872
Total return for the year		87,224	123,397	47,283	112,713
Distribution adjustments	A	(482)	(40,575)	39,459	(29,891)
Rollover adjustment		145	–	145	–
Amount retained for capital expenditure		(3,000)	(3,000)	(3,000)	(3,000)
Amount retained for COVID-19 related relief measures		(478)	–	(478)	–
Income for the year available for distribution to Unitholders	B	83,409	79,822	83,409	79,822
Amount available for distribution to Unitholders		103,666	99,694	103,666	99,694
Distributions to Unitholders during the year:					
- Distribution of 3.28 cents per unit for period from 1 October 2018 to 31 December 2018		–	19,844	–	19,844
- Distribution of 3.28 cents per unit for period from 1 January 2019 to 31 March 2019		–	19,844	–	19,844
- Distribution of 3.27 cents per unit for period from 1 April 2019 to 30 June 2019		–	19,784	–	19,784
- Distribution of 3.30 cents per unit for period from 1 July 2019 to 30 September 2019		–	19,965	–	19,965
- Distribution of 3.34 cents per unit for period from 1 October 2019 to 31 December 2019		20,207	–	20,207	–
- Distribution of 3.32 cents per unit for period from 1 January 2020 to 31 March 2020		20,086	–	20,086	–
- Distribution of 3.36 cents per unit for period from 1 April 2020 to 30 June 2020		20,328	–	20,328	–
- Distribution of 3.54 cents per unit for period from 1 July 2020 to 30 September 2020		21,417	–	21,417	–
		82,038	79,437	82,038	79,437
Amount available for distribution to Unitholders at end of the year		21,628	20,257	21,628	20,257

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2020

	Note	Group 2020	Group 2019	Trust 2020	Trust 2019
Number of units entitled to distribution ('000)	14	605,002	605,002	605,002	605,002
Distribution per unit (cents)[1]		13.79	13.19	13.79	13.19

[1] The distribution per unit relates to the distributions in respect of the relevant financial year. The distribution relating to the last quarter of 2020 will be paid after 31 December 2020.

Note A – Distribution adjustments comprise:

	Group		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Non-tax deductible/(non-taxable) items:				
Trustee's fees	339	322	339	322
Amortisation of transaction costs relating to debt facilities	623	688	623	688
Net overseas income not distributed to the Trust	–	–	18,831	15,769
Foreign exchange loss, net	13	292	18,049	127
Others	1,156	(126)	1,170	433
Net change in fair value of financial derivatives	823	(2,436)	2,317	(2,914)
Net change in fair value of investment properties (net of deferred tax impact)	(3,436)	(39,315)	(1,870)	(44,316)
Net effect of distribution adjustments	(482)	(40,575)	39,459	(29,891)

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

	Group		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Unitholders' distributions:				
- from operations	68,163	67,143	68,163	67,143
- from Unitholders' contributions	15,246	12,679	15,246	12,679
Total Unitholders' distributions	83,409	79,822	83,409	79,822

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2020

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Unitholders' funds at beginning of year	1,181,848	1,136,393	1,086,422	1,052,523
Operations				
Total return for the year	87,224	123,397	47,283	112,713
Unitholders' transactions				
Distribution to Unitholders	(82,038)	(79,437)	(82,038)	(79,437)
Total increase/(decrease) in Unitholders' funds before movement in other reserves	5,186	43,960	(34,755)	33,276
Other reserves				
Net movement in hedging reserve	(2,582)	322	(2,582)	322
Net movement in cost of hedging reserve	76	301	76	301
Exchange differences on hedge of net investment in foreign operations	(19,692)	487	–	–
Translation differences arising on consolidation of foreign operations	18,779	385	–	–
Net (decrease)/increase in other reserves	(3,419)	1,495	(2,506)	623
Unitholders' funds at end of year	1,183,615	1,181,848	1,049,161	1,086,422

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

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Group			
Singapore			
The Mount Elizabeth Hospital Property (1)	Leasehold	67	54
The Gleneagles Hospital Property (1)	Leasehold	75	62
The Parkway East Hospital Property (1)	Leasehold	75	62
Japan			
P-Life Matsudo	Freehold	N.A.	N.A.
Bon Sejour Yokohama Shin-Yamashita (2)	Freehold	N.A.	N.A.
Palmary Inn Akashi (2)	Freehold	N.A.	N.A.
Palmary Inn Suma (2)	Freehold	N.A.	N.A.
Senior Chonaikai Makuhari Kan (2)	Freehold	N.A.	N.A.
Balance carried forward			

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

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
3 Mount Elizabeth, Singapore 228510	Hospital and medical centre	751,000	749,000	63.4	63.4
6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500	Hospital and medical centre	395,000	394,000	33.4	33.3
319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990	Hospital and medical centre	67,800	67,700	5.7	5.7
		1,213,800	1,210,700	102.5	102.4
357 Matsuhidai, Matsudo City, Chiba Prefecture, Japan	Pharmaceutical product distributing and manufacturing facility	– (4)	29,860	–	2.5
2-12-55 Shin Yamashita, Naka-Ku, Yokohama City, Kanagawa Prefecture, Japan	Nursing home with care service	21,649	20,815	1.8	1.8
486, Yagi, Okubo-cho, Akashi City, Hyogo Prefecture, Japan	Nursing home with care service	23,442	22,178	2.0	1.9
1-5-23, Chimori-cho, Suma-ku, Kobe City, Hyogo Prefecture, Japan	Nursing home with care service	13,963	13,133	1.2	1.1
5-370-4, Makuhari-cho, Hanamigawa-ku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	23,955	22,674	2.0	1.9
		83,009	108,660	7.0	9.2

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Group			
Japan (cont'd)			
Balance brought forward			
Smiling Home Medis Musashi Urawa (2)	Freehold	N.A.	N.A.
Smiling Home Medis Koshigaya Gamo (2)	Freehold	N.A.	N.A.
Sompo no Ie Nakasyo (2)	Freehold	N.A.	N.A.
Maison des Centenaire Ishizugawa (2)	Freehold	N.A.	N.A.
Maison des Centenaire Haruki (2)	Freehold	N.A.	N.A.
Hapine Fukuoka Noke (2)	Freehold	N.A.	N.A.
Fiore Senior Residence Hirakata (2)	Freehold	N.A.	N.A.
Iyashi no Takatsuki Kan (2)	Freehold	N.A.	N.A.
Sawayaka Obatake Ichibankan (2)	Freehold	N.A.	N.A.
Sawayaka Sakurakan (2)	Freehold	N.A.	N.A.
Sawayaka Nogatakan (2)	Freehold	N.A.	N.A.
Balance carried forward			

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

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
		83,009	108,660	7.0	9.2
5-5-6, Shikatebukuro, Minami-ku, Saitama City, Saitama Prefecture, Japan	Nursing home with care service	10,581	9,999	0.9	0.8
2-2-5, Gamonishimachi, Koshigaya City, Saitama Prefecture, Japan	Nursing home with care service	21,008	20,196	1.8	1.7
923-1 Aza Miyata, Hirata, Kurashiki City, Okayama Prefecture, Japan	Nursing home with care service	9,095	8,698	0.8	0.7
2-1-9, Hamadera Ishizuchonishi, Nishi-Ku,Sakai City, Osaka Prefecture, Japan	Nursing home with care service	11,939	11,424	1.0	1.0
12-20, Haruki-Miyakawacho, Kishiwada City, Osaka Prefecture, Japan	Nursing home with care service	9,210	8,846	0.8	0.7
4-35-9, Noke, Sawara-ku, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	11,491	10,916	1.0	0.9
4-10, Higashikori-Shinmachi, Hirakata City, Osaka Prefecture, Japan	Nursing home with care service	6,700	6,430	0.6	0.5
3-19, Haccho-Nishimachi, Takatsuki City, Osaka Prefecture, Japan	Nursing home with care service	22,161	21,187	1.9	1.8
3-3-51 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	10,824	10,482	0.9	0.9
126-2 Nakadomari, Nishi-nagano, Kakunodate-machi, Senboku City, Akita Prefecture, Japan	Nursing home with care service	11,696	11,114	1.0	0.9
442-1 Yamabe-Oaza, Nogata City, Fukuoka Prefecture, Japan	Nursing home with care service	10,466	10,011	0.9	0.8
		218,180	237,963	18.6	19.9

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

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Group			
Japan (cont'd)			
Balance brought forward			
Sawayaka Shinmojikan (2)	Freehold	N.A.	N.A.
Sawayaka Obatake Nibankan (2)	Freehold	N.A.	N.A.
Sawayaka Fukufukukan (2)	Freehold	N.A.	N.A.
As Heim Nakaurawa (2)	Freehold	N.A.	N.A.
Hanadama no Ie Nakahara (2)	Freehold	N.A.	N.A.
Sawayaka Higashikagurakan (2)	Freehold	N.A.	N.A.
Happy Life Toyonaka (2)	Freehold	N.A.	N.A.
Palmary Inn Shin-Kobe (2)	Freehold	N.A.	N.A.
Sawayaka Seaside Toba (2)	Freehold	N.A.	N.A.
Balance carried forward			

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

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
		218,180	237,963	18.6	19.9
1543-1 Oaza Hata, Moji-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	13,707	13,133	1.2	1.1
1-6-26 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Short stay/Day care home	5,188	4,981	0.4	0.4
1-24-4 Fukuyanagi, Tobata-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	9,595	9,268	0.8	0.8
2-21-9 Nishibori, Sakura-ku, Saitama Prefecture, Japan	Nursing home with care service	14,219	13,505	1.2	1.1
5-14-25 Shimo Kotanaka Nakahara-ku, Kawasaki, Kanagawa Prefecture, Japan	Nursing home with care service	11,772	11,399	1.0	1.0
2-351-4 Kitaichijo Higashi, Higashikagura-cho Kamikawa-gun, Hokkaido Prefecture, Japan	Nursing home with care service	13,451	12,886	1.1	1.1
15-14, Kozushima 2-chome, Toyonaka City, Osaka Prefecture, Japan	Nursing home with care service	6,994	6,715	0.6	0.6
13-7, Kanocho 2-chome, Chuo-ku, Kobe City, Hyogo Prefecture, Japan	Nursing home with care service	21,265	20,320	1.8	1.7
300-73 Aza Hamabe, Ohamacho Toba City, Mie Prefecture, Japan	Nursing home with care service	20,624	19,948	1.7	1.7
		334,995	350,118	28.4	29.4

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Group			
Japan (cont'd)			
Balance brought forward			
Sawayaka Niihamakan (2)	Freehold	N.A.	N.A.
Sawayaka Mekari Nibankan (2)	Freehold	N.A.	N.A.
Sawayaka Kiyotakan (2)	Freehold	N.A.	N.A.
Sawayaka Minatokan (2)	Freehold	N.A.	N.A.
Maison des Centenaire Hannan (2)	Freehold	N.A.	N.A.
Maison des Centenaire Ohhama (2)	Freehold	N.A.	N.A.
Sunhill Miyako (2)	Freehold	N.A.	N.A.
Habitation Jyosui (2)	Freehold	N.A.	N.A.
Ocean View Shonan Arasaki (2)	Freehold	N.A.	N.A.
Habitation Hakata I, II and III (2)	Freehold	N.A.	N.A.
Excellent Tenpaku Garden Hills (2)	Freehold	N.A.	N.A.
Balance carried forward			

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

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
		334,995	350,118	28.4	29.4
Otsu 11-77, Higashida 3-chome, Niihama City, Ehime Prefecture, Japan	Nursing home with care service	19,599	18,957	1.7	1.6
2720-2, Okubo 1-chome, Mojiku, Kitakyushushi City, Fukuoka Prefecture, Japan	Nursing home with care service	4,176	4,014	0.4	0.3
16-7, Kiyota 3-chome, Yahatahigashi-ku, Kitakyushushi, Fukuoka Prefecture, Japan	Nursing home with care service	13,066	12,514	1.1	1.1
5155-3 Jyusanbancho, Furumachidori, Chuo-ku, Niigata City, Niigata Prefecture, Japan	Nursing home with care service	9,812	9,466	0.8	0.8
8-423-29 Momonokidai, Hannan City, Osaka Prefecture, Japan	Nursing home with care service	25,748	24,904	2.2	2.1
3-11-18 Ohhama Kitamachi Sakai-Ku, Sakai City, Osaka Prefecture, Japan	Nursing home with care service	9,659	9,342	0.8	0.8
8-423-30 Momonokidai, Hannan City, Osaka Prefecture, Japan	Extended stay lodging facility	12,118	11,721	1.0	1.0
4-1-26 Yakuin, Chuo-ku Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	49,318	46,834	4.2	4.0
5-25-1 Nagai, Yokosuka City, Kanagawa Prefecture, Japan	Nursing home with care service	26,389	25,523	2.2	2.2
23-10 Kanenokuma 3-chome Hakata-ku, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	51,624	49,932	4.4	4.2
141-3 Tsuchihara 2-chome, Tenpaku-ku, Nagoya City, Aichi Prefecture, Japan	Nursing home with care service	23,827	23,045	2.0	1.9
		580,331	586,370	49.2	49.4

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

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Group			
Japan (cont'd)			
Balance brought forward			
Liverari Shiroishi Hana Ichigo-kan [2]	Freehold	N.A.	N.A.
Liverari Shiroishi Hana Nigo-kan [2]	Freehold	N.A.	N.A.
Sunny Spot Misono [2]	Freehold	N.A.	N.A.
Silver Heights Hitsujigaoka (Ichibankan and Nibankan) [2]	Freehold	N.A.	N.A.
Habitation Wakaba [2]	Freehold	N.A.	N.A.
Habitation Hakusho [2]	Freehold	N.A.	N.A.
Group Home Hakusho [2]	Freehold	N.A.	N.A.
Kikuya Warakuen [2]	Freehold	N.A.	N.A.
Sanko [2]	Freehold	N.A.	N.A.
Konosu Nursing Home Kyoseien [2]	Freehold	N.A.	N.A.
Haru no Sato [2]	Freehold	N.A.	N.A.
Hodaka no Niwa [2]	Freehold	N.A.	N.A.
Orange no Sato [2]	Leasehold	99	98
Habitation Kamagaya[5]	Freehold	N.A.	N.A.

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

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
		580,331	586,370	49.2	49.4
1-18 Kitago 3jyo, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	4,740	4,584	0.4	0.4
5-10 Kitago 2jyo 5-chome, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	2,370	2,292	0.2	0.2
4-24 Misono 7jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan	Group home with care service	2,652	2,565	0.2	0.2
6-1 Fukuzumi, 3jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	15,116	14,620	1.3	1.2
1763-12 Oguramachi Wakabaku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	28,182	26,639	2.4	2.3
301 Hijikai, Yachimata City, Chiba Prefecture, Japan	Nursing home with care service	21,521	20,691	1.8	1.8
1345-16 Toyoma, Yachimata City, Chiba Prefecture, Japan	Group home with care service	1,345	1,301	0.1	0.1
1404-10 Nishitoyoi, Oaza, Kudamatsu City, Yamaguchi Prefecture, Japan	Nursing home with care service	11,093	10,643	0.9	0.9
4-16-16 Mizuhomachi, Kudamatsu City, Yamaguchi Prefecture, Japan	Nursing home with care service	7,122	6,839	0.6	0.6
3409-1 Shimoya, Konosu, Saitama Prefecture, Japan	Nursing rehabilitation facility	21,905	20,815	1.9	1.8
1-2-23 Hajima, Shunan, Yamaguchi Prefecture, Japan	Nursing rehabilitation facility	16,397	15,983	1.4	1.4
205 Hitoegane, Okuhida Onsengo, Takayama, Gifu Prefecture, Japan	Nursing rehabilitation facility	17,806	17,346	1.5	1.5
522 Yoshiwara, Aridagawa-machi, Arida, Wakayama Prefecture, Japan	Nursing rehabilitation facility	16,141	15,859	1.4	1.3
12-1 Shin-Kamagaya 4-Chome, Kamagaya City, Chiba Prefecture, Japan	Nursing home with care service	22,161	–	1.9	–
		768,882	746,547	65.2	63.1

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

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Group			
Malaysia			
MOB Specialist Clinics, Kuala Lumpur (3)	Freehold	N.A.	N.A.
Total investment properties			
Investment property classified as asset held for sale			
Japan			
P-Life Matsudo	Freehold	N.A.	N.A.
Total investment properties and asset held for sale, at valuation			
Other assets and liabilities (net)			
Net assets			

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

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
282, Jalan Ampang 50450 Kuala Lumpur, Malaysia	Medical Centre	6,218	6,752	0.5	0.6
		1,988,900	1,963,999	168.2	166.1
357 Matsuhidai, Matsudo City, Chiba Prefecture, Japan	Pharmaceutical product distributing and manufacturing facility	30,872	–	2.6	–
		2,019,772	1,963,999	170.8	166.1
		(836,157)	(782,151)	(70.8)	(66.1)
		1,183,615	1,181,848	100.0	100.0

PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)
Trust			
Singapore			
The Mount Elizabeth Hospital Property[1]	Leasehold	67	54
The Gleneagles Hospital Property[1]	Leasehold	75	62
The Parkway East Hospital Property[1]	Leasehold	75	62
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 2020, the appraised value of these properties was determined by Knight Frank Pte. Ltd., using direct capitalisation and discounted cash flow methods.

(2) On 31 December 2020, independent valuations of these properties were undertaken by CBRE K.K., Enrix Co., Ltd, Cushman & Wakefield K.K. and JLL Morii Valuation & Advisory K.K. using the discounted cash flow method.

(3) On 31 December 2020, the appraised value of the property was determined by Nawawi Tie Leung Property Consultants Sdn. Bhd. using the direct capitalisation method.

(4) Classified as asset held for sale as at 31 December 2020 (Note 9).

(5) On 10 December 2020, the Group entered into a Tokumei Kumiai agreement as an investor in relation to the acquisition of a nursing home located in Japan for a purchase price of JPY1.65 billion (approximately $21.2 million). The acquisition of the property was completed on 18 December 2020. On 31 December 2020, the appraised value of the property was determined by Enrix Co.,Ltd using discounted cash flow 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.

Location	Existing use	At Valuation 2020 $'000	At Valuation 2019 $'000	Percentage of Net Assets 2020 %	Percentage of Net Assets 2019 %
3 Mount Elizabeth, Singapore 228510	Hospital and medical centre	751,000	749,000	71.6	68.9
6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500	Hospital and medical centre	395,000	394,000	37.6	36.3
319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990	Hospital and medical centre	67,800	67,700	6.5	6.2
		1,213,800	1,210,700	115.7	111.4
		(164,639)	(124,278)	(15.7)	(11.4)
		1,049,161	1,086,422	100.0	100.0

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
Operating activities			
Total return before income tax		96,389	132,004
Adjustments for:			
Interest income		(7)	(10)
Finance costs		5,237	6,617
Net change in fair value of financial derivatives		823	(2,436)
Net change in fair value of investment properties	4	(7,428)	(43,019)
Deferred income recognised		(257)	(251)
Operating income before working capital changes		94,757	92,905
Changes in working capital:			
Trade and other receivables		(6,048)	(765)
Trade and other payables		5,880	1,060
Security deposits		788	993
Cash generated from operations		95,377	94,193
Income tax paid		(5,065)	(4,945)
Cash flows generated from operating activities		90,312	89,248
Investing activities			
Interest received		7	10
Capital expenditure on investment properties		(4,579)	(9,633)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		(24,003)	(51,518)
Cash flows used in investing activities		(28,575)	(61,141)
Financing activities			
Borrowing costs paid		(1,650)	(1,131)
Interest paid		(5,101)	(5,441)
Distributions to Unitholders		(82,038)	(79,437)
Proceeds from loans and borrowings		128,191	239,997
Repayment of loans and borrowings		(100,834)	(182,428)
Repayment of lease liabilities		(32)	(2)
Cash flows used in financing activities		(61,464)	(28,442)
Net increase/(decrease) in cash and cash equivalents		273	(335)
Cash and cash equivalents at beginning of year		21,870	21,832
Effects of exchange differences on cash balances		515	373
Cash and cash equivalents at end of year	8	22,658	21,870

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

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	
	2020	**2019**
	$'000	**$'000**
Investment properties	21,203	45,732
Acquisition related costs	2,800	5,786
Cash outflow/cash consideration paid	24,003	51,518

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 24 March 2021.

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, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020) (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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1 GENERAL (CONT'D)

(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.

(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;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1 GENERAL (CONT'D)

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

(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;
(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 2020

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"). The changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

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

- derivative financial instruments are measured at fair value; and
- investment properties are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.3 Functional and presentation currency

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

2.4 Use of estimates and 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.

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 25 – valuation of financial instruments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability 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 25 – valuation of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies

The Group has applied the following new FRSs, interpretations and amendments for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business (Amendments to FRS 103)*
- *Definition of Material (Amendments to FRS 1 and FRS 8)*

Other than the amendments relating to definition of a business, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

The Group applied the amendments relating to definition of a business to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 3.1.

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 the acquired set of activities and assets meets the definition of a business and 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 the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Accounting for subsidiaries by the Trust

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

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

Foreign operations (cont'd)

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.

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 Assets held for sale

Investment properties that are highly probable to be recovered primarily through sale rather than through continued use, are classified as assets held for sale and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 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.

Classification and subsequent measurement

Non-derivative financial assets

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

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 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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 either substantially all of the risks and rewards of ownership of the financial asset are transferred or 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.

Transferred assets are not derecognised when 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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecasted transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

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.

The Group designates only the change in intrinsic value of interest rate cap contracts as the hedging instrument in cash flow hedging relationships. The change in time value of interest rate cap contracts is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within Unitholders' funds.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

Cash flow hedges (cont'd)

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 fully or partially reclassified to statement of total return as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

3.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 4.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

As a lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in investment property and lease liabilities as a separate caption in the statement of financial position. There are no right-of-use assets that do not meet the definition of investment property.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.7 Impairment

Non-derivative financial assets

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 ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

Non-derivative financial assets (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

Non-derivative financial assets (cont'd)

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.

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 of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

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.

3.8 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Revenue recognition (cont'd)

(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.

3.9 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis.

(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, settlement on financial derivatives, amortisation of borrowings related transactions costs and security deposits and interests on lease liabilities.

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.

3.10 Government grants

Grants that are received by the Group on behalf of the end-tenants in relation to rental rebate and assistance are disbursed to the eligible tenants in full and not recognised in the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of total return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in the Unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Income tax expense (cont'd)

Qualifying Unitholders are entitled to gross distributions from the Trust. For distributions made to foreign non-individual Unitholders during the period from 18 February 2005 to 31 December 2025 or foreign funds during the period from 1 July 2019 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.

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); or
- 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.

A foreign fund refers to one that qualifies for tax exemption under section 13CA, 13X or 13Y of the Income Tax Act ("ITA") that is not a resident of Singapore for income tax purposes and:

- does not have any permanent establishment in Singapore (other than a fund manager in Singapore); or
- carries on any operation through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used by that qualifying fund 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 with 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.

3.12 Distribution policy

The Trust has a distribution policy to distribute at least 90.0% of its taxable income and net overseas income with the actual level of distribution to be determined at the Manager's discretion, other than gains from the sale of real estate properties that are determined by IRAS to be trading gains. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Distribution policy (cont'd)

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

Distributions to Unitholders are made on a quarterly basis, with the amount calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions within 75 days after the end of the first three distribution periods of a financial year and within 90 days from the end of a financial year. Distributions, when paid, will be in Singapore dollars.

3.13 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.

3.14 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.

3.15 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 2020 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Trust's statement of financial position:

- FRS117 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *COVID-19-Related Rent Concessions (Amendment to FRS 116)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 110 and FRS 28)*
- *Reference to the Conceptual Framework (Amendments to FRS 103)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to FRS 16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to FRS 37)*
- *Annual Improvements to FRSs 2018 – 2020*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 INVESTMENT PROPERTIES

		Group		Trust	
		2020	2019	2020	2019
	Note	$'000	$'000	$'000	$'000
At 1 January		1,966,140	1,860,534	1,210,700	1,160,400
Acquisition of investment properties		21,203	45,732	–	–
Acquisition related costs		2,644	6,339	–	–
Recognition of right-of-use asset		–	2,141	–	–
Capital expenditure		4,440	8,576	1,230	5,984
Transfer to asset held for sale	9	(30,872)	–	–	–
Translation difference		20,036	(201)	–	–
		1,983,591	1,923,121	1,211,930	1,166,384
Net change in fair value of investment properties		7,428	43,019	1,870	44,316
At 31 December		1,991,019	1,966,140	1,213,800	1,210,700

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2020 performed by independent professional valuers having appropriate recognised professional qualification and experience in the location and category of property being valued.

The independent external valuers have used capitalisation approach and discounted cash flow methods.

The capitalisation approach 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.

The net change in fair value of the investment properties recognised in the statement of total return has been adjusted for amortisation of right-of-use assets as follows:

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Gain on revaluation	7,450	43,020	1,870	44,316
Amortisation of right-of-use assets	(22)	(1)	–	–
Net change in fair value of investment properties recognised in statement of total return	7,428	43,019	1,870	44,316

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 exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions. The valuation reports are prepared in accordance with recognised appraisal and valuation standards, and included a material valuation uncertainty clause due to the disruption to the market at that date caused by the COVID-19 pandemic. The carrying amounts of the Group's investment properties were current as at 31 December 2020 only and the values may change more rapidly and significantly than during the standard market conditions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 INVESTMENT PROPERTIES

Determination of fair value (cont'd)

Fair value hierarchy

The fair value measurement for investment properties of the Group and the Trust 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.

	2020 $'000	**2019 $'000**
Fair value of investment properties (based on valuation)	1,988,900	1,963,999
Add: Carrying amount of lease liabilities	2,119	2,141
Carrying amount of investment properties	1,991,019	1,966,140

Significant unobservable inputs

The following table shows the key unobservable inputs used in the valuation model, including investment property classified as asset held for sale (see Note 9):

Type	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flow method	• Risk-adjusted discount rates range from 4.6% to 7.0% (2019: 4.6% to 7.0%). • Terminal yield rates range from 4.9% to 6.8% (2019: 4.9% to 6.8%).	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 4.8% to 6.7% (2019: 4.7% to 6.7%).	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/(higher).

Key unobservable inputs correspond to:

- Discount rates, based on the risk-free rate for bonds issued by government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield rate is the estimated capitalisation rate at maturity of the holding period.
- Capitalisation rate corresponds to a rate of return on investment properties on the expected annual income that the property will generate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INTERESTS IN SUBSIDIARIES

	Trust	
	2020 $'000	2019 $'000
Equity investments, at cost	599,130	563,107
Amount due from subsidiary (non-trade)	4,075	4,075
	603,205	567,182

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 and hence the amount due from subsidiary is classified as non-current and is stated at amortised cost. Allowance for impairment on this amount is insignificant.

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 SPE's management, resulting in the Group receiving the majority of the benefits related to the SPE's 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 risk related to the SPEs of 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 2020 %	2019 %
* 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	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INTERESTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2020 %	2019 %
* Parkway Life Japan3 Pte. Ltd. (cont'd)	Investment holding	Singapore	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
* 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2020 %	Effective interest held by the Group 2019 %
*	Parkway Life Japan4 Pte. Ltd. (cont'd)	Investment holding	Singapore	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
	** Godo Kaisha Samurai 13	Special purpose entity - Investment in real estate	Japan	100	100
	** Godo Kaisha Samurai 14	Special purpose entity - Investment in real estate	Japan	100	–
*	Parkway Life Malaysia Pte. Ltd.	Investment holding	Singapore	100	100
	# Parkway Life Malaysia Sdn. Bhd.	Special purpose entity - Investment in real estate	Malaysia	100	100
*	Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore	100	100

* Audited by KPMG Singapore.
** Not required to be audited under the laws of country of incorporation.
\# Audited by KPMG Malaysia.
For consolidation purposes, the SPEs are audited by KPMG Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6 FINANCIAL DERIVATIVES

	Group and Trust 2020 $'000	Group and Trust 2019 $'000
Current derivative assets	–	28
Non-current derivative assets	4,362	3,018
Total derivative assets	4,362	3,046
Current derivative liabilities	(2,266)	(2,496)
Non-current derivative liabilities	(261)	(817)
Total derivative liabilities	(2,527)	(3,313)
Total derivative assets/(liabilities) (net)	1,835	(267)

	Group 2020 %	Group 2019 %	Trust 2020 %	Trust 2019 %
Percentage of derivative assets to unitholders' funds	0.4	0.3	0.4	0.3
Percentage of derivative liabilities to unitholders' funds	(0.2)	(0.3)	(0.2)	(0.3)

Interest rate swaps

The Group manages its exposure to interest rate movements on its floating rate loans and borrowings by entering into interest rate swaps. As at the reporting date, the Group has interest rate swaps with a total notional principal of approximately $104.0 million (2019: $196.6 million) to provide fixed rate funding up to 2024 (2019: up to 2024) at a weighted average effective interest rate of 0.13% (2019: 0.20%) per annum.

As at 31 December 2020, 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 $15,000 loss (2019: $0.2 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 $47,000 gain (2019: $0.4 million gain) was credited to the statement of total return. At the same time, an amount of $43,000 loss (2019: $0.5 million loss) was reclassified from hedging reserve to the statement of total return.

Interest rate caps

As part of the Group's effort in managing its exposure to interest rate movement on its floating rate loans, the Group has also entered into interest rate caps during the year. As at the reporting date, the Group has interest rate caps with a notional principal of approximately $302.1 million (2019: $145.3 million).

These instruments are designated as hedging instruments. As at 31 December 2020, a change of time value of the interest rate caps of $0.1 million gain (2019: $0.3 million gain) was recognised in the cost of hedging reserve. There was no intrinsic value recognised in the hedging reserve during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6 FINANCIAL DERIVATIVES (CONT'D)

Forward 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 exchange contracts to provide a hedge to the distribution of income from its investments in Japan, net of Japanese Yen financing costs.

At the reporting date, the Group has outstanding forward exchange contracts with aggregate notional amounts of approximately $83.7 million (2019: $89.1 million). The change in fair value of $0.2 million loss (2019: $2.5 million gain) was charged to the statement of total return.

Cross currency interest rate swaps

At the reporting date, the Group has cross currency interest rate swaps ("CCIRS") with notional principal of $131.9 million (2019: $125.2 million) to manage its foreign currency risk and interest rate risk arising from the financing of Japan properties using Singapore dollar loan 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 $2.1 million loss (2019: $0.5 million gain) and $2.6 million loss (2019: $0.4 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6 FINANCIAL DERIVATIVES (CONT'D)

Offsetting financial assets and financial liabilities (cont'd)

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 2020					
Financial assets					
Forward exchange contracts	2,212	–	2,212	–	2,212
Interest rate caps used for hedging	883	–	883	–	883
Cross currency interest rate swaps used for hedging	1,267	–	1,267	(1,267)	–
Total	4,362	–	4,362	(1,267)	3,095
Financial liabilities					
Cross currency interest rate swaps used for hedging	(2,238)	–	(2,238)	1,267	(971)
Interest rate swaps used for hedging	(289)	–	(289)	–	(289)
Total	(2,527)	–	(2,527)	1,267	(1,260)
31 December 2019					
Financial assets					
Forward exchange contracts	2,476	–	2,476	(21)	2,455
Interest rate caps used for hedging	570	–	570	–	570
Total	3,046	–	3,046	(21)	3,025
Financial liabilities					
Forward exchange contracts	(21)	–	(21)	21	–
Cross currency interest rate swaps used for hedging	(2,970)	–	(2,970)	–	(2,970)
Interest rate swaps used for hedging	(322)	–	(322)	–	(322)
Total	(3,313)	–	(3,313)	21	(3,292)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables	503	297	–	–
Amounts due from related party (trade)	10,694	10,477	10,694	10,477
Amounts due from related party (non-trade)	5,612	–	5,612	–
Advances to subsidiary	–	–	23,387	51,198
Other receivables	163	181	–	–
	16,972	10,955	39,693	61,675
Prepayments	1,088	1,016	8	8
	18,060	11,971	39,701	61,683

Non-trade amounts due from related party relate to the Small and Medium Enterprises (SMEs) cash grants receivable from the master lessee, in which the excess amount will be refunded to the government (see Note 10). The amounts are unsecured, interest-free and receivable within 12 months.

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

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Nursing homes	496	295	–	–
Hospitals and medical centres	10,701	10,479	10,694	10,477
	11,197	10,774	10,694	10,477

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 amounted to $10,694,000 (2019: $10,477,000) is due from PHS as at the reporting date. These trade receivables are in accordance with the payment schedule as set out in the lease agreements entered with PHS.

As at 31 December 2020, the Trust has in its possession a bankers' guarantee in its favour amounting to $7.5 million (2019: $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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Neither past due nor impaired	10,994	10,580	10,694	10,477
Past due 1 - 30 days	4	–	–	–
Past due 31 - 180 days	199	194	–	–
	11,197	10,774	10,694	10,477

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash and cash equivalents in the statement of financial position and the cash flow statement	22,658	21,870	1,487	959

9 ASSET HELD FOR SALE

In November 2020, the Group entered into a non-binding Memorandum of Understanding to sell P-Life Matsudo located in Chiba, Japan. Accordingly, the investment property, with a carrying value of $30.9 million has been classified as asset held for sale in the statement of financial position as at 31 December 2020.

The carrying amount of the asset held for sale as at 31 December 2020 was based on an independent valuation undertaken by Enrix Co., Ltd using the discounted cash flow method. The independent valuer has appropriate recognised professional qualification and experience in the location and category of property being valued. In determining the fair value, the valuer has used a valuation method which involved certain estimates. In assessing the fair value measurements, the Manager reviews the valuation methodology and evaluates the assessment made by the valuer. The Manager is of the view that the valuation method and estimates are reflective of the current market conditions.

The fair value measurement has been categorised as a Level 3 fair value based on inputs to the valuation technique used. The significant unobservable inputs include risk-adjusted discount rate and terminal yield rate (see Note 4). A decrease in the risk-adjusted discount rate and terminal yield rate would result in a higher fair value.

The sale of the property has been completed on 29 January 2021 (see Note 28).

10 TRADE AND OTHER PAYABLES

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables and accrued operating expenses	7,258	7,623	4,551	4,264
Amounts due to related parties:				
- the Manager (trade)	5,985	5,760	5,980	5,757
- the Manager (non-trade)	–	141	–	141
- related parties (non-trade)	135	–	135	–
- the Trustee (trade)	57	55	57	55
- related corporation (non-trade)	36	240	36	–
Interest payable	471	1,085	471	1,085
Other payables	5,613	–	5,613	–
	19,555	14,904	16,843	11,302
Advance rent received	7,312	7,036	2,500	2,500
	26,867	21,940	19,343	13,802

The non-trade amounts due to the Manager and related corporation are unsecured, interest-free, and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10 TRADE AND OTHER PAYABLES (CONT'D)

As at 31 December 2020, other payables relate to the Small and Medium Enterprises (SMEs) cash grants to be disbursed to eligible lessee, which is being administered by the master lessee (see Note 7). Any excess amounts will be refunded to the government.

11 LOANS AND BORROWINGS

	Group and Trust	
	2020 $'000	2019 $'000
Current liabilities		
Unsecured bank loans	163,093	77,800
Unamortised transaction costs	(71)	(55)
	163,022	77,745
Non-current liabilities		
Unsecured bank loans	479,661	517,738
Unsecured medium term notes	151,158	146,202
Unamortised transaction costs	(2,317)	(1,652)
	628,502	662,288

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			2020		2019	
Group and Trust	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
S$ variable rate loan	Bank's cost of fund	2020	–	–	1,200	1,200
JPY variable rate loan	Bank's cost of fund	2020	–	–	1,412	1,412
S$ floating rate loan	SOR + margin	2020	–	–	75,188	75,133
S$ variable rate loan	Bank's cost of fund	2021	2,850	2,850	–	–
JPY variable rate loans	Bank's cost of fund	2021	26,978	26,978	–	–
S$ floating rate loans	SOR + margin	2021	50,000	49,973	125,000	124,821
JPY floating rate loan	LIBOR + margin	2021	83,265	83,221	80,535	80,400
S$ floating rate loan	SOR + margin	2022	75,000	74,866	–	–
JPY floating rate loan	LIBOR + margin	2022	112,728	112,616	109,032	108,806
JPY medium term notes	0.58%	2022	42,273	42,262	40,887	40,868
JPY medium term notes	0.57%	2023	64,050	64,021	61,950	61,909
JPY medium term notes	0.65%	2024	44,835	44,815	43,365	43,339
JPY floating rate loan	LIBOR + margin	2024	56,364	56,167	54,516	54,258
JPY floating rate loan	LIBOR + margin	2025	153,694	152,185	148,655	147,887
S$ floating rate loan	SOR + margin	2026	81,875	81,570	–	–
			793,912	791,524	741,740	740,033

SOR denotes Swap Offer Rate
LIBOR denotes London Interbank Offered Rate

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

11 LOANS AND BORROWINGS (CONT'D)

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 utilised various long term unsecured term loans and revolving credit facilities totalling JPY25,198 million (approximately $322.8 million) and $156.9 million (2019: JPY31,698 million (approximately $392.7 million) and $200.2 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, CCIRS and interest rate caps to manage the interest rate exposures for the above Long Term Facilities. Details of these hedging initiatives are set out in Note 6.

(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 2020, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme amounting to JPY11,800 million (approximately $151.2 million) with maturity dates between 2022 to 2024 (2019: JPY11,800 million (approximately $146.2 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 (2019: $120.0 million) for general working capital purposes. Interest on the Short Term Facilities is based on the bank's cost of fund.

As at 31 December 2020, a total of JPY2,106 million (2019: JPY114 million) (approximately $27.0 million (2019: $1.4 million)) and $2.8 million (2019: $1.2 million) was drawn down via Short Term Facilities for working capital up to 4 months (2019: 2 months).

As at 31 December 2020, the Group classified a bank loan of JPY6,500 million (approximately $83.3 million) and a revolving credit facility of $50.0 million as current loans and borrowings due to the maturity within the next twelve months. Extension facilities for the maturing loans were put in place as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

11 LOANS AND BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 January 2020 $'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 2020 $'000
Loans and borrowings	740,033	26,054[1]	24,814	–	623	–	791,524
Interest payable	1,085	(5,101)	–	4,487	–	–	471
Lease liabilities	2,141	(32)	1	15	–	2	2,127
Cross currency interest rate swaps used for hedging – liabilities	2,970	–	–	–	–	(1,999)	971
Interest rate caps used for hedging - (assets)	(570)	(347)	–	–	–	34	(883)
Interest rate swaps used for hedging - liabilities	322	–	–	–	–	(33)	289
Forward exchange contracts (net) – liabilities/(assets)	(2,455)	–	–	–	–	243	(2,212)

			Non-cash changes				
	1 January 2019 $'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 2019 $'000
Loans and borrowings	683,183	56,713[1]	(551)	–	688	–	740,033
Interest payable	601	(5,441)	–	5,925	–	–	1,085
Lease liabilities	–	(2)	–	–	–	2,143	2,141
Cross currency interest rate swaps used for hedging – liabilities	3,023	–	–	–	–	(53)	2,970
Interest rate caps used for hedging - (assets)	–	(275)	–	–	–	(295)	(570)
Interest rate swaps used for hedging - liabilities	1,017	–	–	–	–	(695)	322
Forward exchange contracts (net) – liabilities/(assets)	33	–	–	–	–	(2,488)	(2,455)

1 Net proceeds from loans and borrowings, includes repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings but excludes premium paid on interest rate cap.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

12 DEFERRED TAX LIABILITIES

	At 1 January $'000	Recognised in statement of total return (Note 21) $'000	Translation differences $'000	At 31 December $'000
Group				
2020				
Deferred tax liabilities				
Investment properties	32,598	3,992	1,068	37,658
2019				
Deferred tax liabilities				
Investment properties	28,955	3,705	(62)	32,598

13 UNITHOLDERS' FUNDS

	Group		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Unitholders' contribution	632,326	646,484	632,326	646,484
Revenue reserve	550,048	530,704	420,027	440,624
Hedging reserve	(3,569)	(987)	(3,569)	(987)
Cost of hedging reserve	377	301	377	301
Foreign currency translation reserve	4,433	5,346	–	–
	1,183,615	1,181,848	1,049,161	1,086,422

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; and

(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.

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 2020

13 UNITHOLDERS' FUNDS (CONT'D)

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the time value element of interest rate cap contracts.

14 UNITS IN ISSUE

	Trust	
	2020 ('000)	**2019 ('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 2020

15 GROSS REVENUE

	Group		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Property rental income	120,505	114,661	69,457	68,493
Dividend income from subsidiaries	–	–	19,718	19,333
Other income	387	561	–	–
	120,892	115,222	89,175	87,826

16 PROPERTY EXPENSES

	Group		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Operations and maintenance expenditure	5,039	3,993	3,159	3,118
Property tax	3,289	2,975	–	–
Property and lease management fees	9	11	–	–
Marketing services commission	8	–	–	–
Others	19	18	–	–
	8,364	6,997	3,159	3,118

17 MANAGEMENT FEES

	Group		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Base fees	6,148	5,751	6,148	5,751
Performance fees	5,064	4,870	5,064	4,870
Asset management fees	1,435	1,260	–	–
	12,647	11,881	11,212	10,621

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

18 TRUST EXPENSES

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trustee fees	339	322	339	322
Valuation fees	254	213	254	213
Auditors' remuneration:				
- audit fees	261	261	227	227
- non-audit fees	67	53	57	43
Professional fees	2,536	1,736	1,952	943
Other expenses	282	489	120	543
	3,739	3,074	2,949	2,291

19 FINANCE COSTS

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Interest paid and payable				
- bank loans	5,064	7,239	5,064	7,239
- financial derivatives	(836)	(1,575)	(836)	(1,575)
	4,228	5,664	4,228	5,664
Amortisation of transaction costs relating to debt facilities	623	688	623	688
Financial liabilities measured at amortised cost – interest expense	274	252	–	–
Others	112	13	112	13
	5,237	6,617	4,963	6,365

20 OTHER EXPENSES

Other expenses pertain to COVID-19 related relief measures and targeted assistance extended to tenants.

21 INCOME TAX EXPENSE

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current tax expense				
Withholding tax	5,171	4,898	–	–
Income tax expense	2	4	–	–
	5,173	4,902	–	–
Deferred tax expense				
Movement in temporary differences	3,992	3,705	–	–
Total	9,165	8,607	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

21 INCOME TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Total return for the year before income tax	96,389	132,004	47,283	112,713
Income tax using Singapore tax rate of 17% (2019: 17%)	16,386	22,441	8,038	19,161
Effect of different tax rate in foreign jurisdictions	1,714	1,466	–	–
Income not subject to tax	(1,307)	(7,430)	(2,270)	(9,763)
Non-tax deductible items	2,024	1,706	3,884	178
Tax transparency	(9,652)	(9,576)	(9,652)	(9,576)
	9,165	8,607	–	–

22 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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Total return before income tax and distribution	96,389	132,004	47,283	112,713
Less: Income tax expense	(9,165)	(8,607)	–	–
Total return after income tax, before distribution	87,224	123,397	47,283	112,713

	Group and Trust	
	2020	2019
	Number of Units ('000)	Number of Units ('000)
Weighted average number of units in issue	605,002	605,002

	Group		Trust	
	2020	2019	2020	2019
Basic earnings per unit (cents)	14.42	20.40	7.82	18.63

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 2020

23 COMMITMENTS

	Group		Trust	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Capital commitments:				
- contracted but not provided for	13,725	3,076	12,910	1,575
- authorised but not contracted for	1,552	6,840	–	5,932
	15,277	9,916	12,910	7,507

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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Operating leases under FRS 116				
Less than one year	116,379	114,676	69,977	69,168
One to two years	88,821	110,179	44,670	69,168
Two to three years	43,216	84,614	–	44,154
Three to four years	39,150	39,717	–	–
Four to five years	33,252	36,301	–	–
More than five years	142,566	161,530	–	–
Total	463,384	547,017	114,647	182,490

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 2020, the Group leased out some of its strata titled units/lots within MOB Specialist Clinics, Kuala Lumpur to Gleneagles Hospital Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.), a related corporation of the Manager and the Trust.

Operating lease rental payable

Leases as lessee (FRS 116)

The Group pays land rent for a leasehold property in Japan, which has a land lease period of 99 years.

Right-of-use assets related to leased property are presented as part of investment properties (see Note 4).

The Group pays land rent for its leasehold properties in Singapore, with remaining land lease periods of 54 – 62 years. These leases are of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

23 COMMITMENTS (CONT'D)

Amounts recognised in statement of total return

	2020 $'000	2019 $'000
Interest on lease liabilities	17	1
Net change in fair valuation of investment properties	22	1
Expenses relating to leases of low-value assets	*	*

Amounts recognised in statement of cash flows

	2020 $'000	2019 $'000
Total cash outflow for leases	32	2

* Less than $1,000

24 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Related corporations of the Manager				
Rental income received/receivable	69,579	68,652	69,457	68,493
Other income received/receivable	42	43	–	–
COVID-19 related relief measure paid/payable	1,200	–	1,200	–
The Manager				
Manager's management fees paid/payable	11,212	10,621	11,212	10,621
Acquisition fees paid/payable to the Manager	212	457	212	457
Travelling expenses reimbursed/reimbursable to the Manager	51	465	51	465
Property and lease management fees paid/payable to the Manager	9	11	–	–
Marketing services commission paid/payable to the Manager	8	–	–	–
The Trustee				
Trustee's fees paid/payable	339	322	339	322

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, as well as the Group's capital management strategy.

Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management processes to ensure an appropriate balance between risks and controls is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a lessee or deposit taking financial institution fails to meet its contractual obligations, and arises principally from the Group's receivables from lessees and cash and cash equivalents placed with these financial institutions.

Trade and other receivables

The investment properties in Singapore are leased to one master lessee, PHS, a related corporation of the Manager and the Trust. The investment properties in Japan are leased to several nursing home operators and a 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 31 December

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.

At the reporting date, except as disclosed in Note 7, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated.

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.

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. In addition, the Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

As at 31 December 2020, the Group has a remaining uncommitted short term credit facilities of $90.2 million (2019: $117.4 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 2020, the outstanding notes issued under the Debt Issuance Programme was JPY11,800 million (approximately $151.2 million) (2019: JPY11,800 million (approximately $146.2 million)).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

The following are the remaining contractual maturities of financial liabilities and lease 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	1 to 5 years $'000	More than 5 years $'000
Group					
2020					
Non-derivative financial liabilities					
S$ unsecured bank loans	209,259	(213,522)	(53,831)	(159,691)	–
JPY unsecured bank loans	431,167	(436,939)	(111,581)	(325,358)	–
JPY medium term notes	151,098	(153,296)	(914)	(152,382)	–
Lease liabilities	2,127	(2,958)	(32)	(126)	(2,800)
Security deposits	20,548	(23,785)	(868)	(2,931)	(19,986)
Trade and other payables^	19,555	(19,555)	(19,555)	–	–
	833,754	(850,055)	(186,781)	(640,488)	(22,786)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(2,212)				
- inflow		83,711	31,540	52,171	–
- outflow		(81,420)	(30,780)	(50,640)	–
Cross currency interest rate swaps (gross-settled)	971				
- inflow		132,740	50,248	82,492	–
- outflow		(133,734)	(50,533)	(83,201)	–
Interest rate swaps used for hedging (net-settled)	289	(296)	(113)	(183)	–
Interest rate caps used for hedging (net-settled)	(883)	–	–	–	–
	(1,835)	1,001	362	639	–
	831,919	(849,054)	(186,419)	(639,849)	(22,786)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	<------------ Cash flow ------------> Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000
Group					
2019					
Non-derivative financial liabilities					
S$ unsecured bank loans	201,154	(206,890)	(80,347)	(126,543)	–
JPY unsecured bank loans	392,763	(399,328)	(2,822)	(247,686)	(148,820)
JPY medium term notes	146,116	(149,157)	(887)	(148,270)	–
Lease liabilities	2,141	(3,113)	(31)	(126)	(2,956)
Security deposits	18,836	(21,152)	(948)	(1,864)	(18,340)
Trade and other payables^	14,904	(14,904)	(14,904)	–	–
	775,914	(794,544)	(99,939)	(524,489)	(170,116)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(2,455)				
- inflow		89,113	29,637	59,476	–
- outflow		(86,567)	(28,912)	(57,655)	–
Cross currency interest rate swaps (gross-settled)	2,970				
- inflow		125,383	75,353	50,030	–
- outflow		(128,435)	(77,941)	(50,494)	–
Interest rate swaps used for hedging (net-settled)	322	(331)	(123)	(208)	–
Interest rate caps used for hedging (net-settled)	(570)	–	–	–	–
	267	(837)	(1,986)	1,149	–
	776,181	(795,381)	(101,925)	(523,340)	(170,116)

^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

			<------------ Cash flow ------------>		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**
Trust					
2020					
Non-derivative financial liabilities					
S$ unsecured bank loans	209,259	(213,522)	(53,831)	(159,691)	–
JPY unsecured bank loans	431,167	(436,939)	(111,581)	(325,358)	–
JPY medium term notes	151,098	(153,296)	(914)	(152,382)	–
Trade and other payables^	16,843	(16,843)	(16,843)	–	–
	808,367	(820,600)	(183,169)	(637,431)	–
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(2,212)				
- inflow		83,711	31,540	52,171	–
- outflow		(81,420)	(30,780)	(50,640)	–
Cross currency interest rate swaps (gross-settled)	971				
- inflow		132,740	50,248	82,492	–
- outflow		(133,734)	(50,533)	(83,201)	–
Interest rate swaps used for hedging (net-settled)	289	(296)	(113)	(183)	–
Interest rate caps used for hedging (net-settled)	(883)	–	–	–	–
	(1,835)	1,001	362	639	–
	806,532	(819,599)	(182,807)	(636,792)	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	<------------ Cash flow ------------> Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000
Trust					
2019					
Non-derivative financial liabilities					
S$ unsecured bank loans	201,154	(206,890)	(80,347)	(126,543)	–
JPY unsecured bank loans	392,763	(399,328)	(2,822)	(247,686)	(148,820)
JPY medium term notes	146,116	(149,157)	(887)	(148,270)	–
Trade and other payables^	11,302	(11,302)	(11,302)	–	–
	751,335	(766,677)	(95,358)	(522,499)	(148,820)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(2,455)				
- inflow		89,113	29,637	59,476	–
- outflow		(86,567)	(28,912)	(57,655)	–
Cross currency interest rate swaps (gross-settled)	2,970				
- inflow		125,383	75,353	50,030	–
- outflow		(128,435)	(77,941)	(50,494)	–
Interest rate swaps used for hedging (net-settled)	322	(331)	(123)	(208)	–
Interest rate caps used for hedging (net-settled)	(570)	–	–	–	–
	267	(837)	(1,986)	1,149	–
	751,602	(767,514)	(97,344)	(521,350)	(148,820)

^ Excludes advance rent received

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

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 hedge. These borrowings are designated as net investment hedges;

- 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 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.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assess the effectiveness of each hedging relationship by comparing changes in the carrying amount of the debt that is due to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method).

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward exchange contracts or cross currency swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

- changes in the timing of the hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to foreign currency risk (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			
2020			
Cash and cash equivalents	608	5	613
Trade and other payables	(470)	–	(470)
Forward exchange contracts	(80,754)	–	(80,754)
Net exposure	(80,616)	5	(80,611)
2019			
Cash and cash equivalents	192	292	484
Trade and other payables	(545)	–	(545)
Forward exchange contracts	(84,252)	–	(84,252)
Net exposure	(84,605)	292	(84,313)

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			
2020			
Cash and cash equivalents	608	5	613
Trade and other payables	(470)	–	(470)
Loans and borrowings	(584,187)	–	(584,187)
Forward exchange contracts	(80,754)	–	(80,754)
Net exposure	(664,803)	5	(664,798)
2019			
Cash and cash equivalents	192	11	203
Trade and other payables	(545)	–	(545)
Loans and borrowings	(540,352)	–	(540,352)
Forward exchange contracts	(84,252)	–	(84,252)
Net exposure	(624,957)	11	(624,946)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to foreign currency risk (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	
	2020	**2019**
	$'000	**$'000**
Group		
JPY	8,062	8,461
MYR	(1)	(29)
Trust		
JPY	66,480	62,496
MYR	(1)	(1)

In respect to the Group, a 10% strengthening or weakening of Singapore dollar against Japanese Yen would have less significant impact than to the Trust 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 2020, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to $19.7 million loss (2019: $0.5 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.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from interest rate benchmark reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform. The Group's policy is for the critical terms of the interest rate swaps and interest rate caps to align with the hedged borrowings.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to interest rate risk (cont'd)

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its existing risk management practice and application of hedge accounting.

The Manager monitors and manages the Group's transition to alternative rates. The Manager evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps, interest rate caps and cross currency interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to LIBOR or SOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. On 23 October 2020, ISDA published the IBOR Fallbacks Supplement, a supplement to the 2006 ISDA Definitions ("the Supplement") and the IBOR Fallbacks Protocol ("the Protocol"). Both the Supplement and the Protocol took effect on 25 January 2021. The Group is expected to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates which are LIBOR and SOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

The Group's LIBOR and SOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. However, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The Group applies the amendments to FRS 109 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. Currently, the Group measures its hedging instruments indexed to Japanese Yen LIBOR or Singapore-dollar SOR using available quoted market rates for LIBOR-based or SOR-based instruments of the same tenor and similar maturity and measures the cumulative change in the present value of hedged cash flows attributable to changes in LIBOR and SOR on a similar basis.

The Group's exposure to Japanese Yen LIBOR or Singapore-dollar SOR designated in hedging relationships is approximately $406 million and $132 million nominal amount at 31 December 2020, respectively, representing both the nominal amount of the derivative financial instruments and the principal amount of the Group's hedged JPY-denominated and SGD-denominated secured bank loan liabilities maturing in 2021 to 2026.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to interest rate risk (cont'd)

Hedge accounting (cont'd)

The Group is actively engaging with lenders to address the changes of IBOR reform to the existing loan facilities. We expect that the hedging instrument will be modified as outlined under 'Derivatives' above.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group and Trust Nominal amount	
	2020 $'000	2019 $'000
Fixed rate instrument		
Medium term notes	(151,158)	(146,202)
Variable rate instruments		
Interest rate swaps	103,992	196,604
Interest rate caps	302,060	145,335
Cross currency interest rate swaps	131,875	125,188
Loans and borrowings	(642,754)	(595,538)
	(104,827)	(128,411)

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 2020				
Loans and borrowings	(6,428)	6,428	–	–
Interest rate swaps	1,040	(1,040)	1,419	(337)
Interest rate caps	1,631	–	8,666	(101)
Cross currency interest rate swaps	1,319	(1,319)	4,107	(4,307)
Cash flow sensitivity (net)	(2,438)	4,069	14,192	(4,745)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	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 2019				
Loans and borrowings	(5,955)	5,955	–	–
Interest rate swaps	1,966	(1,966)	2,500	(596)
Interest rate caps	932	–	5,331	(271)
Cross currency interest rate swaps	1,252	(1,252)	1,288	(1,312)
Cash flow sensitivity (net)	(1,805)	2,737	9,119	(2,179)

Hedge accounting

Cash flow hedges

At 31 December 2020, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity	
	Within 1 year	**More than 1 year**
Interest rate risk		
Cross currency interest rate swaps		
Net exposure ($'000)	50,000	81,875
Fixed interest rate	0.54%	0.36%
Interest rate swaps		
Net exposure ($'000)	47,628	56,364
Fixed interest rate	0.10%	0.16%
Interest rate caps		
Net exposure ($'000)	–	302,060
Fixed interest cap rate	–	0.25%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity	
	Within 1 year	**More than 1 year**
Interest rate risk		
Cross currency interest rate swaps		
Net exposure ($'000)	75,188	50,000
Fixed interest rate	0.89%	0.54%
Interest rate swaps		
Net exposure ($'000)	96,023	100,581
Average fixed interest rate	0.27%	0.13%
Interest rate caps		
Net exposure ($'000)	–	145,335
Fixed interest cap rate	–	0.25%

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

	Change in value used for calculating hedge ineffectiveness $'000	**Cash flow hedge reserve $'000**	**Cost of hedging reserve $'000**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'000**
31 December 2020				
Interest rate risk				
Variable-rate instruments	–	3,569	(377)	–
31 December 2019				
Interest rate risk				
Variable-rate instruments	–	987	(301)	43

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

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

	Hedging reserve $'000	Cost of hedging reserve $'000
Balance at 1 January 2019	1,309	–
Cash flow hedges		
Changes in fair value	166	(301)
Amounts reclassified to statement of total return	(488)	–
Balance at 31 December 2019	987	(301)
Balance at 1 January 2020	987	(301)
Cash flow hedges		
Changes in fair value	2,625	(76)
Amounts reclassified to statement of total return	(43)	–
Balance at 31 December 2020	3,569	(377)

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

	2020					During the period - 2020			
	Nominal amount	Carrying amount		Line item in the statement of financial position where		Changes in the value of the hedging instrument recognised in Unitholders' funds	Hedge ineffectiveness recognised in statement of total return	Cost of hedging recognised in Unitholders' funds	Line item in statement of total return that includes hedge ineffectiveness
		Assets	Liabilities	the hedging instrument is included	the hedged item is included				
	$'000	$'000	$'000			$'000	$'000	$'000	
Interest rate risk									
Cross currency interest rate swaps	131,875	1,267	(2,238)	Financial derivatives	Loans and borrowings	(2,610)	584	–	Net change in fair value of financial derivatives
Interest rate swaps	103,992	–	(289)	Financial derivatives	Loans and borrowings	(15)	43	–	Net change in fair value of financial derivatives
Interest rate caps	302,060	883	–	Financial derivatives	Loans and borrowings	–	–	(76)	Net change in fair value of financial derivatives

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

	2019					During the period - 2019			
	Nominal amount	Carrying amount		Line item in the statement of financial position where		Changes in the value of the hedging instrument recognised in Unitholders' funds	Hedge ineffectiveness recognised in statement of total return	Cost of hedging recognised in Unitholders' funds	Line item in statement of total return that includes hedge ineffectiveness
		Assets	Liabilities	the hedging instrument is included	the hedged item is included				
	$'000	$'000	$'000			$'000	$'000	$'000	
Interest rate risk									
Cross currency interest rate swaps	125,188	–	(2,970)	Financial derivatives	Loans and borrowings	(425)	–	–	Net change in fair value of financial derivatives
Interest rate swaps	196,604	–	(322)	Financial derivatives	Loans and borrowings	259	488	–	Net change in fair value of financial derivatives
Interest rate caps	145,335	570	–	Financial derivatives	Loans and borrowings	–	–	(301)	Net change in fair value of financial derivatives

Net investment hedges

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

	2020				During the period - 2020		
	Nominal amount	Carrying amount		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	Hedge ineffectiveness recognised in statement of total return	Line item in statement of total return that includes hedge ineffectiveness
		Assets	Liabilities				
	$'000	$'000	$'000		$'000	$'000	
Foreign currency denominated loans and borrowings	716,062	–	(713,808)	Loans and borrowings	(19,692)	–	N.A.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Hedge accounting (cont'd)

Net investment hedges (cont'd)

	2019				During the period - 2019		
	Nominal amount	Carrying amount					
		Assets	Liabilities	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	Hedge ineffectiveness recognised in statement of total return	Line item in statement of total return that includes hedge ineffectiveness
	$'000	$'000	$'000		$'000	$'000	
Foreign currency denominated loans and borrowings	665,540	–	(662,520)	Loans and borrowings	487	–	N.A.

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

	2020		
	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	(19,720)	(4,030)	–

	2019		
	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	(487)	(23,750)	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 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 50% 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 2020 was 38.5% (2019: 37.1%) 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 2020

25 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. Further, for the current year the fair value disclosure of lease liabilities is also not required.

		Carrying amount					Fair value			
	Note	Amortised cost	Mandatorily at FVTPL	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 2020										
Financial assets measured at fair value										
Forward exchange contracts	6	–	2,212	–	–	2,212	–	2,212	–	2,212
Interest rate caps used for hedging	6	–	–	–	883	883	–	883	–	883
Cross currency interest rate swaps used for hedging	6	–	–	–	1,267	1,267	–	1,267	–	1,267
		–	2,212	–	2,150	4,362				
Financial assets not measured at fair value										
Trade and other receivables*	7	16,972	–	–	–	16,972				
Cash and cash equivalents	8	22,658	–	–	–	22,658				
		39,630	–	–	–	39,630				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging	6	–	–	–	(2,238)	(2,238)	–	(2,238)	–	(2,238)
Interest rate swaps used for hedging	6	–	–	–	(289)	(289)	–	(289)	–	(289)
		–	–	–	(2,527)	(2,527)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(640,426)	–	(640,426)				
- Medium term notes		–	–	(151,098)	–	(151,098)	–	(150,667)	–	(150,667)
Security deposits		–	–	(20,548)	–	(20,548)				
Trade and other payables^	10	–	–	(19,555)	–	(19,555)				
		–	–	(831,627)	–	(831,627)				

* Excludes prepayments
^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Determination of fair values (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
Group										
31 December 2019										
Financial assets measured at fair value										
Forward exchange contracts	6	–	2,476	–	–	2,476	–	2,476	–	2,476
Interest rate caps used for hedging	6	–	–	–	570	570	–	570	–	570
		–	2,476	–	570	3,046				
Financial assets not measured at fair value										
Trade and other receivables*	7	10,955	–	–	–	10,955				
Cash and cash equivalents	8	21,870	–	–	–	21,870				
		32,825	–	–	–	32,825				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging	6	–	–	–	(2,970)	(2,970)	–	(2,970)	–	(2,970)
Forward exchange contracts	6	–	–	–	(21)	(21)	–	(21)	–	(21)
Interest rate swaps used for hedging	6	–	–	–	(322)	(322)	–	(322)	–	(322)
		–	–	–	(3,313)	(3,313)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(593,917)	–	(593,917)				
- Medium term notes		–	–	(146,116)	–	(146,116)	–	(145,688)	–	(145,688)
Security deposits		–	–	(18,836)	–	(18,836)				
Trade and other payables^	10	–	–	(14,904)	–	(14,904)				
		–	–	(773,773)	–	(773,773)				

* Excludes prepayments
^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Determination of fair values (cont'd)

		Carrying amount					Fair value			
	Note	Amortised cost	Mandatorily at FVTPL	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 2020										
Financial assets measured at fair value										
Forward exchange contracts	6	–	2,212	–	–	2,212	–	2,212	–	2,212
Interest rate caps used for hedging	6	–	–	–	883	883	–	883	–	883
Cross currency interest rate swaps used for hedging	6	–	–	–	1,267	1,267	–	1,267	–	1,267
		–	2,212	–	2,150	4,362				
Financial assets not measured at fair value										
Amount due from subsidiary	5	4,075	–	–	–	4,075				
Trade and other receivables*	7	39,693	–	–	–	39,693				
Cash and cash equivalents	8	1,487	–	–	–	1,487				
		45,255	–	–	–	45,255				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging	6	–	–	–	(2,238)	(2,238)	–	(2,238)	–	(2,238)
Interest rate swaps used for hedging	6	–	–	–	(289)	(289)	–	(289)	–	(289)
		–	–	–	(2,527)	(2,527)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(640,426)	–	(640,426)	–	(150,667)	–	(150,667)
- Medium term notes		–	–	(151,098)	–	(151,098)				
Trade and other payables^	10	–	–	(16,843)	–	(16,843)				
		–	–	(808,367)	–	(808,367)				

* Excludes prepayments

^ Excludes advance rent received

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Year ended 31 December 2020

25 FINANCIAL INSTRUMENTS (CONT'D)

Determination of fair values (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 2019										
Financial assets measured at fair value										
Forward exchange contracts	6	–	2,476	–	–	2,476	–	2,476	–	2,476
Interest rate caps used for hedging	6	–	–	–	570	570	–	570	–	570
		–	2,476	–	570	3,046				
Financial assets not measured at fair value										
Amount due from subsidiary	5	4,075	–	–	–	4,075				
Trade and other receivables*	7	61,675	–	–	–	61,675				
Cash and cash equivalents	8	959	–	–	–	959				
		66,709	–	–	–	66,709				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging	6	–	–	–	(2,970)	(2,970)	–	(2,970)	–	(2,970)
Forward exchange contracts	6	–	–	–	(21)	(21)	–	(21)	–	(21)
Interest rate swaps used for hedging	6	–	–	–	(322)	(322)	–	(322)	–	(322)
		–	–	–	(3,313)	(3,313)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(593,917)	–	(593,917)				
- Medium term notes		–	–	(146,116)	–	(146,116)	–	(145,688)	–	(145,688)
Trade and other payables^	10	–	–	(11,302)	–	(11,302)				
		–	–	(751,335)	–	(751,335)				

* Excludes prepayments
^ Excludes advance rent received

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 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	Key unobservable inputs
Group and Trust		
Derivatives: interest rate swaps, interest rate caps, forward exchange 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.	Not applicable.

Financial instruments not measured at fair value

Type	Valuation technique	Key unobservable inputs
Group and Trust		
Medium term notes	The fair value is estimated considering quoted price in an inactive market	Not applicable
Security deposits	Discounted cash flows	Discount rate – 0.95% (2019: 1.01%)

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 2020, there were no transfers between Level 1 and Level 2.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

26 FINANCIAL RATIOS

	2020 %	2019 %
Ratio of expenses to weighted average net assets[1]		
- excluding performance component of Manager's fees	1.06	0.87
- including performance component of Manager's fees	1.49	1.29
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.

27 OPERATING SEGMENTS

Segment information is presented in respect of the Group's strategic business units. For each of the reportable segments, the Chief Executive Officer 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 financial 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 2020

27 OPERATING SEGMENTS (CONT'D)

	Hospitals and Medical Centres		Nursing Homes		Pharmaceutical Manufacturing and Distribution Facility		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue and expenses								
Gross revenue	69,766	68,859	49,401	44,692	1,725	1,671	120,892	115,222
Net property income	66,456	65,597	44,456	41,059	1,616	1,569	112,528	108,225
Interest income	7	9	–	1	–	–	7	10
Foreign exchange gain/(loss)	35	104	53	(212)	2	(6)	90	(114)
Non-property expenses	(10,337)	(8,274)	(6,968)	(6,393)	(275)	(265)	(17,580)	(14,932)
Finance costs	(791)	(1,690)	(4,226)	(4,659)	(220)	(268)	(5,237)	(6,617)
Total return before changes in fair value of financial derivatives and investment properties	55,370	55,746	33,315	29,796	1,123	1,030	89,808	86,572
Net change in fair value of financial derivatives	–	–	(785)	2,323	(38)	113	(823)	2,436
Net change in fair value of investment properties	1,361	43,696	6,205	(1,162)	(138)	485	7,428	43,019
Total return before income tax	56,731	99,442	38,735	30,957	947	1,628	96,413	132,027
Income tax expense	29	(46)	(8,959)	(8,331)	(234)	(230)	(9,164)	(8,607)
Total return after income tax	56,760	99,396	29,776	22,626	713	1,398	87,249	123,420
Assets and liabilities								
Reportable segment assets	1,215,304	1,229,537	819,852	741,895	31,788	31,474	2,066,944	2,002,906
Reportable segment liabilities	92,258	86,780	752,792	696,087	38,295	38,298	883,345	821,165
Other segment information								
Capital expenditure	1,230	5,984	3,120	2,583	90	9	4,440	8,576

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

27 OPERATING SEGMENTS (CONT'D)

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

	2020 $'000	2019 $'000
Revenue		
Total revenue for reportable segments	120,892	115,222
Total return before income tax		
Total return for reportable segments	96,413	132,027
Unallocated amounts:		
- Other corporate expenses	(24)	(23)
Consolidated return before income tax	96,389	132,004
Assets		
Total assets for reportable segments	2,066,944	2,002,906
Other unallocated amounts	27	121
Consolidated total assets	2,066,971	2,003,027
Liabilities		
Total liabilities for reportable segments	883,345	821,165
Other unallocated amounts	11	14
Consolidated total liabilities	883,356	821,179

Geographical information

	2020 $'000	2019 $'000
Revenue		
Singapore	69,457	68,493
Japan	51,126	46,363
Malaysia	309	366
	120,892	115,222
Non-current assets*		
Singapore	1,213,800	1,210,700
Japan	771,001	748,688
Malaysia	6,218	6,752
	1,991,019	1,966,140

* Non-current assets presented consist of investment properties.

28 SUBSEQUENT EVENTS

On 25 January 2021, the Manager declared a distribution of 3.57 cents per unit in respect of the period 1 October 2020 to 31 December 2020 which was paid on 26 February 2021.

On 29 January 2021, the Group entered into a sale and purchase agreement to sell P-Life Matsudo in Chiba, Japan for JPY2.9 billion (approximately $37.1 million). The sale was completed on the same day and the Group recognised a gain on disposal (net of disposal costs and before withholding tax) of approximately $5.1 million.

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	Nature of Relationship	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. ("PHS")	Associated company of IHH Healthcare Berhad ("IHH"), who is a substantial unitholder of PLife REIT		
– Property rental income		69,457	Nil
– COVID-19 related relief measure paid to PHS		1,200	Nil
Gleneagles Hospital Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.)	Associated company of IHH, who is a substantial unitholder of PLife REIT		
– Property rental income		122	Nil
Parkway Trust Management Limited	Manager of PLife REIT		
– Manager's management fees		11,212	Nil
– Manager's acquisition fees		212	Nil
– Travelling expenses reimbursed to the Manager		51	Nil
HSBC Institutional Trust Services (Singapore) Limited	Trustee of PLife REIT		
– Trustee's fees		339	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 2020.

There was no travelling expenses relating to non-deal roadshow in FY2020 due to the COVID-19 pandemic.

Please also see significant related party transactions in Note 24 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

ISSUED UNITS

There were 605,002,386 Units (voting rights: one vote per Unit) issued in Parkway Life REIT as at 1 March 2021.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	184	1.86	7,686	0.00
100 - 1,000	3,384	34.25	2,143,170	0.35
1,001 - 10,000	5,051	51.11	21,270,198	3.52
10,001 - 1,000,000	1,244	12.59	46,917,893	7.76
1,000,001 and above	19	0.19	534,663,439	88.37
Total	**9,882**	**100.00**	**605,002,386**	**100.00**

Country	No. of Unitholders	%	No. of Units	%
Singapore	9,532	96.46	601,308,173	99.39
Malaysia	216	2.18	2,421,433	0.40
Others	134	1.36	1,272,780	0.21
Total	**9,882**	**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	113,098,051	18.69
3	DBS NOMINEES (PRIVATE) LIMITED	79,439,657	13.13
4	HSBC (SINGAPORE) NOMINEES PTE LTD	53,229,894	8.80
5	DBSN SERVICES PTE. LTD.	27,836,435	4.60
6	RAFFLES NOMINEES (PTE.) LIMITED	24,446,158	4.04
7	BPSS NOMINEES SINGAPORE (PTE.) LTD.	4,624,796	0.76
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,894,408	0.48
9	PHILLIP SECURITIES PTE LTD	2,090,427	0.35
10	PARKWAY TRUST MANAGEMENT LIMITED	2,012,486	0.33
11	ABN AMRO CLEARING BANK N.V.	1,885,500	0.31
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,725,362	0.29
13	DB NOMINEES (SINGAPORE) PTE LTD	1,430,550	0.24
14	IFAST FINANCIAL PTE. LTD.	1,315,015	0.22
15	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	1,207,150	0.20
16	UOB KAY HIAN PRIVATE LIMITED	1,067,750	0.18
17	OCBC SECURITIES PRIVATE LIMITED	1,049,660	0.17
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,033,450	0.17
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,019,690	0.17
20	WONG HONG CHING	584,000	0.10
	Total	**535,247,439**	**88.48**

STATISTICS OF UNITHOLDINGS

DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2021

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. Kelvin Loh Chi-Keon	120,000	–
5.	Sim Heng Joo Joe	–	–
6.	Rossana Annizah Binti Ahmad Rashid	–	–
7.	Low Soon Teck	–	–
8.	Yong Yean Chau	59,300	731,700

SUBSTANTIAL UNITHOLDERS AS AT 1 MARCH 2021

(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	–	215,488,701
2.	Pulau Memutik Ventures Sdn Bhd	Note 2	–	215,488,701
3.	IHH Healthcare Berhad	Note 3	–	215,488,701
4.	Integrated Healthcare Holdings Limited	Note 4	219,215	215,269,486
5.	Parkway Pantai Limited	Note 5	–	215,269,486
6.	Parkway Holdings Limited	Note 6	–	215,269,486
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	–	48,024,178
11.	Cohen & Steers Capital Management, Inc.	Note 10	–	44,927,669

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

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 2,012,486 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 units held by its wholly-owned subsidiary, Cohen & Steers Capital Management, Inc. Neither Cohen & Steers, Inc nor any of its affiliates is the registered holder of the units.

Note 10 Cohen & Steers, Inc. is deemed interested in the units held by its wholly-owned subsidiary, Cohen & Steers Capital Management, Inc. Neither Cohen & Steers, Inc nor any of its affiliates is the registered holder of the units.

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 2021, 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 2021.

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CORPORATE INFORMATION

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200706697Z

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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. Kelvin Loh Chi-Keon
Non-Executive Director, Member of the Nominating and Remuneration Committee

Ms. Rossana Annizah Binti Ahmad Rashid
Non-Executive Director

Mr. Low Soon Teck
Non-Executive Director

Mr. Sim Heng Joo Joe
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. Kelvin Loh Chi-Keon
Member

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Partner-in-charge:
Yap Wee Kee
(Appointed since financial year ended 31 December 2018)

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