



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

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

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**INTRODUCTION**

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

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

In Japan, Parkway Life REIT owns one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture, as well as 45 high quality nursing home and care facility properties located in various prefectures of Japan (collectively, the "Japan Properties").

As at 30 September 2018, Parkway Life REIT owns a well-diversified portfolio of 50 properties located in the Asia-Pacific region, including three hospitals in Singapore, 46 healthcare and healthcare-related assets in Japan and strata titled units/lots in Gleneagles Intan Medical Centre, Kuala Lumpur, Malaysia. Its total portfolio size stands at approximately S\$1.8 billion as at 30 September 2018.

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

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**SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

		YTD 3Q 2018	YTD 3Q 2017	Increase/(Decrease)	
	Notes	S\$'000	S\$'000	S\$'000	%
<b>Gross Revenue</b>		<b>84,269</b>	<b>82,344</b>	<b>1,925</b>	<b>2.3</b>
<b>Net Property Income</b>		<b>78,683</b>	<b>76,903</b>	<b>1,780</b>	<b>2.3</b>
<b>Total Distributable Income to Unitholders</b>		<b>58,048</b>	<b>60,301</b>	<b>(2,253)</b>	<b>(3.7)</b>
- from recurring operations	(a)	58,048	56,259	1,789	3.2
- from distribution of divestment gain	(b)	-	4,042	(4,042)	n.m. <sup>1</sup>
<b>Distribution per unit (cents)</b>	(c)	<b>9.59</b>	<b>9.97</b>	<b>(0.38)</b>	<b>(3.7)</b>
<b>Annualised distribution per unit (cents)</b>		<b>12.79</b>	<b>13.29</b>	<b>(0.50)</b>	<b>(3.7)</b>
Distribution yield (%), based on - Closing market price of S\$2.70 as at 28 September 2018		<b>4.74</b>	<b>4.92</b>		<b>(3.7)</b>

**Note(s):**

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

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

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

**Consolidated Statement of Total Return**

	Notes	3Q 2018 S\$'000	3Q 2017 S\$'000	Inc/ (Dec) %	YTD 3Q 2018 S\$'000	YTD 3Q 2017 S\$'000	Inc/ (Dec) %
<b>Gross revenue</b>		<b>28,395</b>	<b>27,700</b>	<b>2.5</b>	<b>84,269</b>	<b>82,344</b>	<b>2.3</b>
Property expenses		(1,874)	(1,817)	3.1	(5,586)	(5,441)	2.7
<b>Net property income</b>		<b>26,521</b>	<b>25,883</b>	<b>2.5</b>	<b>78,683</b>	<b>76,903</b>	<b>2.3</b>
Management fees	(a)	(2,869)	(2,801)	2.4	(8,504)	(8,370)	1.6
Trust expenses	(b)	(1,015)	(896)	13.3	(2,439)	(2,046)	19.2
Net foreign exchange gain		95	142	(33.1)	717	1,177	(39.1)
Interest income		4	-	100.0	4	-	100.0
Finance costs	(c)	(1,699)	(1,839)	(7.6)	(5,083)	(6,060)	(16.1)
<b>Non-property expenses</b>		<b>(5,484)</b>	<b>(5,394)</b>	<b>1.7</b>	<b>(15,305)</b>	<b>(15,299)</b>	<b>0.0</b>
<b>Total return before changes in fair value of financial derivatives</b>		<b>21,037</b>	<b>20,489</b>	<b>2.7</b>	<b>63,378</b>	<b>61,604</b>	<b>2.9</b>
Net change in fair value of financial derivatives	(d)	1,568	543	188.8	(1,005)	693	n.m.
<b>Total return for the period before tax and distribution</b>		<b>22,605</b>	<b>21,032</b>	<b>7.5</b>	<b>62,373</b>	<b>62,297</b>	<b>0.1</b>
Income tax expense	(e)	(1,776)	(1,810)	(1.9)	(5,359)	(5,777)	(7.2)
<b>Total return for the period after tax before distribution</b>		<b>20,829</b>	<b>19,222</b>	<b>8.4</b>	<b>57,014</b>	<b>56,520</b>	<b>0.9</b>

**Note(s):**

- (a) Management fees comprise Manager's management fees and asset management fees payable to the asset managers of the Japan Properties.
- (b) Trust expenses comprise mainly of Trustee's fees, professional fees and travelling expenses.
- (c) Finance costs largely consist of interest expense on loans, settlement on interest rate swaps that provide fixed rate funding on loans and amortisation of transaction costs of establishing debt facilities.
- (d) The Group entered into foreign currency forward contracts to hedge its net foreign income from Japan. The changes in fair value of the foreign currency forward contracts were recognised in Statement of Total Return.
- (e) Included in 3Q 2018 income tax expense is the withholding tax of S\$1.1 million (3Q 2017: S\$1.1 million) and deferred tax of S\$0.6 million (3Q 2017: S\$0.7 million) in respect of the Japan investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

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**Distribution Statement**

	Notes	3Q 2018 S\$'000	3Q 2017 S\$'000	Inc/ (Dec) %	YTD 3Q 2018 S\$'000	YTD 3Q 2017 S\$'000	Inc/ (Dec) %
<b>Total return after tax before distribution</b>		<b>20,829</b>	<b>19,222</b>	<b>8.4</b>	<b>57,014</b>	<b>56,520</b>	<b>0.9</b>
Non-tax deductible/(non-taxable) items:							
Trustee's fees		78	77	1.3	231	227	1.8
Amortisation of transaction costs relating to debt facilities		205	149	37.6	516	573	(9.9)
Net change in fair value of financial derivatives		(1,568)	(543)	188.8	1,005	(693)	n.m.
Foreign exchange loss/(gain)		24	(108)	n.m.	(462)	(807)	(42.8)
Temporary differences	(a)	637	661	(3.6)	1,908	2,407	(20.7)
Others		96	329	(70.8)	91	284	(68.0)
<b>Net effect of non-tax deductible/(non-taxable) items</b>		<b>(528)</b>	<b>565</b>	<b>n.m.</b>	<b>3,289</b>	<b>1,991</b>	<b>65.2</b>
Rollover adjustment	(b)	-	(2)	n.m.	(5)	(2)	150.0
<b>Amount available for distribution to Unitholders</b>		<b>20,301</b>	<b>19,785</b>	<b>2.6</b>	<b>60,298</b>	<b>58,509</b>	<b>3.1</b>
Distribution of divestment gains	(c)	-	1,348	n.m.	-	4,042	n.m.
Amount retained for capital expenditure	(d)	(750)	(750)	-	(2,250)	(2,250)	-
<b>Distributable income to Unitholders</b>	(e)	<b>19,551</b>	<b>20,383</b>	<b>(4.1)</b>	<b>58,048</b>	<b>60,301</b>	<b>(3.7)</b>

**Note(s):**

- (a) This relates to deferred tax expense provided on the temporary differences between the fair value and the tax written down value at the applicable income tax rate in respect of the Japan investment properties.
- (b) The rollover adjustment in 2018 and 2017 represented the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Year of Assessment 2017 and 2016 respectively and had been adjusted under the rollover mechanism agreed with the IRAS.
- (c) This refers to the partial distribution of the gains arising from the divestment of four Japan properties in December 2016 as announced on 22 December 2016. The gain is classified as capital distribution from a tax perspective. The entire divestment gain, after deducting all relevant taxes, of S\$5,390,000 has been fully distributed to Unitholders over four quarters in FY2017.
- (d) An amount of S\$3.0 million is retained for capital expenditure on existing properties each year.
- (e) Parkway Life REIT's distribution policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined at the Manager's discretion.

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

	Notes	Group 30/09/18 S\$'000	Group 31/12/17 S\$'000	Trust 30/09/18 S\$'000	Trust 31/12/17 S\$'000
<b>Current assets</b>					
Trade and other receivables		11,451	10,894	10,234	9,866
Financial derivatives		79	13	79	13
Cash and cash equivalents		32,010	25,720	249	4,936
		<b>43,540</b>	<b>36,627</b>	<b>10,562</b>	<b>14,815</b>
<b>Non-current assets</b>					
Investment properties	(a)	1,764,021	1,731,063	1,091,419	1,088,200
Interests in subsidiaries		-	-	597,284	576,543
Financial derivatives		1,958	3,531	1,958	3,531
<b>Total assets</b>		<b>1,809,519</b>	<b>1,771,221</b>	<b>1,701,223</b>	<b>1,683,089</b>
<b>Current liabilities</b>					
Financial derivatives		408	163	408	163
Trade and other payables		18,581	19,451	11,874	13,287
Current portion of security deposits		988	940	43	-
Loans and borrowings	(b)	11,017	15,900	11,017	15,900
Provision for taxation		-	1	-	-
		<b>30,994</b>	<b>36,455</b>	<b>23,342</b>	<b>29,350</b>
<b>Non-current liabilities</b>					
Financial derivatives		1,117	1,224	1,117	1,224
Non-current portion of security deposits		18,868	18,076	-	35
Loans and borrowings	(c)	669,153	626,382	669,153	626,382
Deferred tax liabilities		25,292	23,744	-	-
<b>Total liabilities</b>		<b>745,424</b>	<b>705,881</b>	<b>693,612</b>	<b>656,991</b>
<b>Net assets</b>		<b>1,064,095</b>	<b>1,065,340</b>	<b>1,007,611</b>	<b>1,026,098</b>
<b>Represented by:</b>					
Unitholders' funds		1,064,095	1,065,340	1,007,611	1,026,098
<b>Total equity</b>		<b>1,064,095</b>	<b>1,065,340</b>	<b>1,007,611</b>	<b>1,026,098</b>

**Note(s):**

- (a) The increase in investment properties was mainly due to the acquisition of an elderly nursing rehabilitation facility in Japan on 14 February 2018, capital expenditure of existing assets and appreciation of the Japanese Yen as compared to 31 December 2017.
- (b) On 17 August 2018, the Group has refinanced a significant portion of the current term borrowings, comprising the S\$50 million term loan and short term facility, by a 3-year unsecured revolving credit facility.
- (c) The increase in long term borrowings was mainly due to additional funding required for the property acquisition on 14 February 2018 and the appreciation of Japanese Yen.

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**1(b)(ii) Aggregate amount of borrowings**

	<b>Group 30/09/18 S\$'000</b>	<b>Group 31/12/17 S\$'000</b>	<b>Trust 30/09/18 S\$'000</b>	<b>Trust 31/12/17 S\$'000</b>
<b>Unsecured gross borrowings</b>				
Amount repayable within one year	11,017	15,900	11,017	15,900
Amount repayable after one year	670,839	627,968	670,839	627,968
Less: Transaction costs in relation to the term loan and revolving credit facilities	(1,686)	(1,586)	(1,686)	(1,586)
	<b>680,170</b>	<b>642,282</b>	<b>680,170</b>	<b>642,282</b>

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

Parkway Life REIT's gearing was 37.7% as at 30 September 2018, within the 45% limit allowed under the Monetary Authority of Singapore's Property Funds Appendix.

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

**Unsecured Borrowings**

In August 2018, the Group has entered into a S\$75 million 3-year committed and unsecured revolving credit facility ("**3-year RCF**") which was utilised to pre-emptively refinance an existing S\$50 million loan due in 2019, as well as termed out the SGD short term loans.

As at 30 September 2018, the total credit facilities drawn of JPY27,598 million (approximately S\$332.3 million<sup>2</sup>) and S\$196.5 million (the "**Long Term Facilities**") were committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT.

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

In 3Q 2018, the Group has conducted a review of its existing unsecured and uncommitted short term multi-currency facilities (the "**Short Term Facilities**"). Following the review, the Group has, in September 2018, entered into a supplemental agreement to reduce one of its Short Term Facilities' limit from S\$75 million to S\$45 million, in view of low utilisation.

With that, Parkway Life REIT maintained two Short Term Facilities amounting to S\$120 million for general working capital purposes. As at 30 September 2018, the Group has drawn down JPY915 million (approximately S\$11.0 million<sup>2</sup>) over 3-month period via the Short Term Facilities, at the bank's cost of fund.

<sup>2</sup> Based on exchange rate of S\$1.204 per JPY100 as at 30 September 2018.

### **Unsecured Debt Issuance**

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

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

The notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the respective issuer ranking *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the respective issuer. All sums payable in respect of the notes issued by the MTN Issuer are unconditionally and irrevocably guaranteed by Parkway Life REIT Trustee. The liability of the trustee shall be limited to the assets of Parkway Life REIT over which the trustee has recourse.

As at 30 September 2018, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme amounted to JPY11,800 million (approximately S\$142.1 million<sup>2</sup>).

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

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

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

The Group has also entered into foreign currency forward contracts to hedge the net foreign income from Japan. As at 30 September 2018, the Group has in place Japanese Yen forward contracts till 1Q 2023. This enhances the stability of distribution to Unitholders.

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

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

	Notes	3Q 2018 S\$'000	3Q 2017 S\$'000	YTD 3Q 2018 S\$'000	YTD 3Q 2017 S\$'000
<b>Operating activities</b>					
Total return before tax and distribution		22,605	21,032	62,373	62,297
<b>Adjustments for</b>					
Interest income		(4)	-	(4)	-
Finance costs		1,699	1,839	5,083	6,060
Net change in fair value of financial derivatives		(1,568)	(543)	1,005	(693)
<b>Operating income before working capital changes</b>		<b>22,732</b>	<b>22,328</b>	<b>68,457</b>	<b>67,664</b>
<b>Changes in working capital</b>					
Trade and other receivables		(1,038)	(1,039)	(555)	(571)
Trade and other payables		1,613	(92)	(551)	(3,105)
Security deposits		-	52	583	1,106
Cash generated from operations		23,307	21,249	67,934	65,094
Income tax paid		(1,221)	(1,152)	(3,465)	(6,876)
<b>Cash flows generated from operating activities</b>	<b>(a)</b>	<b>22,086</b>	<b>20,097</b>	<b>64,469</b>	<b>58,218</b>
<b>Investing activities</b>					
Interest received		4	-	4	-
Capital expenditure on investment properties		(1,167)	(1,236)	(4,751)	(2,421)
Cash outflow on purchase of investment properties (including acquisition related costs)	<b>(b)</b>	-	(290)	(20,860)	(65,008)
Divestment related costs paid		-	-	-	(720)
<b>Cash flows used in investing activities</b>	<b>(c)</b>	<b>(1,163)</b>	<b>(1,526)</b>	<b>(25,607)</b>	<b>(68,149)</b>
<b>Financing activities</b>					
Interest paid		(1,516)	(1,705)	(4,606)	(5,546)
Distribution to Unitholders		(19,299)	(20,086)	(58,927)	(58,443)
Proceeds from notes issuance		-	-	43,190	-
Proceeds from borrowings		84,682	20,529	201,365	191,331
Repayment of borrowings		(83,387)	(15,600)	(212,527)	(155,256)
Borrowing costs paid		(178)	-	(616)	(24)
<b>Cash flows used in financing activities</b>	<b>(d)</b>	<b>(19,698)</b>	<b>(16,862)</b>	<b>(32,121)</b>	<b>(27,938)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,225</b>	<b>1,709</b>	<b>6,741</b>	<b>(37,869)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>31,383</b>	<b>28,926</b>	<b>25,462</b>	<b>69,184</b>
Effects of exchange differences on cash balances		(860)	(110)	(455)	(790)
<b>Cash and cash equivalents at end of the period<sup>3</sup></b>		<b>31,748</b>	<b>30,525</b>	<b>31,748</b>	<b>30,525</b>

<sup>3</sup> Cash and cash equivalents at the respective period end exclude a cash deposit of JPY21.7 million (approximately S\$0.26 million and S\$ 0.27 million as at 30 September 2018 and 30 September 2017 respectively) placed with the Group by a vendor, for the purpose of Rental Income Guarantee.



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**Note(s):**

- (a) The higher cash flows from operating activities in 3Q 2018 was mainly due to operating cash flows from the property acquired in February 2018.
- (b) Net cash outflow on purchase of investment properties (including acquisition related costs) is as follows:

	<b>3Q 2018 S\$'000</b>	<b>3Q 2017 S\$'000</b>	<b>YTD 3Q 2018 S\$'000</b>	<b>YTD 3Q 2017 S\$'000</b>
Investment properties	-	-	18,450	62,662
Acquisition related costs	-	290	2,410	2,346
<b>Net cash outflow/Cash consideration paid</b>	<b>-</b>	<b>290</b>	<b>20,860</b>	<b>65,008</b>

- (c) The cash flows in investing activities in 3Q 2018 was mainly due to payment of capital expenditure on existing properties.
- (d) The cash flows in financing activities in 3Q 2018 mainly due to payment of 2Q 2018 distribution to Unitholders.

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

	Notes	Group 3Q 2018 S\$'000	Group 3Q 2017 S\$'000	Group YTD 3Q 2018 S\$'000	Group YTD 3Q 2017 S\$'000
<b>Unitholders' funds at beginning of period</b>		<b>1,059,740</b>	<b>1,038,385</b>	<b>1,065,340</b>	<b>1,037,636</b>
<b>Operations</b>					
Total return after tax		20,829	19,222	57,014	56,520
<b>Translation transactions</b>					
Net movement in foreign currency translation reserve	(a)	2,484	493	(1,714)	2,387
<b>Hedging reserve</b>					
Net movement in hedging reserve	(b)	341	538	2,382	452
<b>Unitholders' transactions</b>					
Distribution to Unitholders		(19,299)	(20,086)	(58,927)	(58,443)
<b>Unitholders' funds at end of period</b>		<b>1,064,095</b>	<b>1,038,552</b>	<b>1,064,095</b>	<b>1,038,552</b>

	Notes	Trust 3Q 2018 S\$'000	Trust 3Q 2017 S\$'000	Trust YTD 3Q 2018 S\$'000	Trust YTD 3Q 2017 S\$'000
<b>Unitholders' funds at beginning of period</b>		<b>994,184</b>	<b>986,019</b>	<b>1,026,098</b>	<b>979,197</b>
<b>Operations</b>					
Total return after tax		32,385	25,557	38,058	70,822
<b>Hedging reserve</b>					
Net movement in hedging reserve	(b)	341	538	2,382	452
<b>Unitholders' transactions</b>					
Distribution to Unitholders		(19,299)	(20,086)	(58,927)	(58,443)
<b>Unitholders' funds at end of period</b>		<b>1,007,611</b>	<b>992,028</b>	<b>1,007,611</b>	<b>992,028</b>

**Note(s):**

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

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

	<b>3Q 2018 '000</b>	<b>3Q 2017 '000</b>	<b>YTD 3Q 2018 '000</b>	<b>YTD 3Q 2017 '000</b>
<b>Units in issue at beginning and at end of period</b>	<b>605,002</b>	<b>605,002</b>	<b>605,002</b>	<b>605,002</b>

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

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

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

Not Applicable.

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

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements for the year ended 31 December 2017.

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

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

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

	Notes	3Q 2018 '000	3Q 2017 '000	YTD 3Q 2018 '000	YTD 3Q 2017 '000
<b>Number of units in issue at end of period</b>		<b>605,002</b>	<b>605,002</b>	<b>605,002</b>	<b>605,002</b>
Weighted average number of units for the period		<b>605,002</b>	<b>605,002</b>	<b>605,002</b>	<b>605,002</b>
Earnings per unit in cents (basic and diluted) (EPU)	(a)	<b>3.44</b>	<b>3.18</b>	<b>9.42</b>	<b>9.34</b>
Applicable number of units for calculation of DPU		<b>605,002</b>	<b>605,002</b>	<b>605,002</b>	<b>605,002</b>
Distribution per unit in cents (DPU)	(b)	<b>3.23</b>	<b>3.37</b>	<b>9.59</b>	<b>9.97</b>

**Note(s):**

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

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

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

	Notes	Group 30/09/18 S\$	Group 31/12/17 S\$	Trust 30/09/18 S\$	Trust 31/12/17 S\$
Net asset value (“NAV”) per unit	(a)	<b>1.76</b>	<b>1.76</b>	<b>1.67</b>	<b>1.70</b>
Adjusted NAV per unit (excluding the distributable income)		<b>1.73</b>	<b>1.73</b>	<b>1.63</b>	<b>1.66</b>
Net tangible asset per unit	(a)	<b>1.76</b>	<b>1.76</b>	<b>1.67</b>	<b>1.70</b>

**Note(s):**

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

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**8 Review of the performance**

	<b>3Q 2018 S\$'000</b>	<b>3Q 2017 S\$'000</b>	<b>Inc/ (Dec) %</b>	<b>YTD 3Q 2018 S\$'000</b>	<b>YTD 3Q 2017 S\$'000</b>	<b>Inc/ (Dec) %</b>
<b>Gross revenue</b>	<b>28,395</b>	<b>27,700</b>	<b>2.5</b>	<b>84,269</b>	<b>82,344</b>	<b>2.3</b>
Property expenses	(1,874)	(1,817)	3.1	(5,586)	(5,441)	2.7
<b>Net property income</b>	<b>26,521</b>	<b>25,883</b>	<b>2.5</b>	<b>78,683</b>	<b>76,903</b>	<b>2.3</b>
Management fees	(2,869)	(2,801)	2.4	(8,504)	(8,370)	1.6
Trust expenses	(1,015)	(896)	13.3	(2,439)	(2,046)	19.2
Net foreign exchange gain	95	142	(33.1)	717	1,177	(39.1)
Interest income	4	-	100.0	4	-	100.0
Finance costs	(1,699)	(1,839)	(7.6)	(5,083)	(6,060)	(16.1)
<b>Non-property expenses</b>	<b>(5,484)</b>	<b>(5,394)</b>	<b>1.7</b>	<b>(15,305)</b>	<b>(15,299)</b>	<b>0.0</b>
<b>Total return before changes in fair value of financial derivatives</b>	<b>21,037</b>	<b>20,489</b>	<b>2.7</b>	<b>63,378</b>	<b>61,604</b>	<b>2.9</b>
Net change in fair value of financial derivatives	1,568	543	188.8	(1,005)	693	n.m.
<b>Total return for the period before tax and distribution</b>	<b>22,605</b>	<b>21,032</b>	<b>7.5</b>	<b>62,373</b>	<b>62,297</b>	<b>0.1</b>
Income tax expense	(1,776)	(1,810)	(1.9)	(5,359)	(5,777)	(7.2)
<b>Total return for the period after tax before distribution</b>	<b>20,829</b>	<b>19,222</b>	<b>8.4</b>	<b>57,014</b>	<b>56,520</b>	<b>0.9</b>
Net effect of non-tax deductible/(non-taxable) items	(528)	565	n.m.	3,289	1,991	65.2
Rollover adjustment	-	(2)	n.m.	(5)	(2)	150.0
<b>Amount available for distribution to Unitholders</b>	<b>20,301</b>	<b>19,785</b>	<b>2.6</b>	<b>60,298</b>	<b>58,509</b>	<b>3.1</b>
Distribution of divestment gains	-	1,348	n.m.	-	4,042	n.m.
Amount retained for capital expenditure	(750)	(750)	-	(2,250)	(2,250)	-
<b>Distributable income to Unitholders</b>	<b>19,551</b>	<b>20,383</b>	<b>(4.1)</b>	<b>58,048</b>	<b>60,301</b>	<b>(3.7)</b>
<b>Distribution per Unit (cents)</b>	<b>3.23</b>	<b>3.37</b>	<b>(4.1)</b>	<b>9.59</b>	<b>9.97</b>	<b>(3.7)</b>
<b>Annualised Distribution per Unit (cents)</b>	<b>12.92</b>	<b>13.48</b>	<b>(4.1)</b>	<b>12.79</b>	<b>13.29</b>	<b>(3.7)</b>

**3Q 2018 Vs 3Q 2017**

Gross revenue for 3Q 2018 was higher than 3Q 2017 by S\$0.7 million mainly due to contribution from one nursing rehabilitation facility acquired on 14 February 2018 and higher rent from the Singapore properties as compared to the same period last year. In addition, Parkway East Hospital's adjusted hospital revenue for the 11<sup>th</sup> year lease (23 August 2017 to 22 August 2018) has outperformed its minimum guaranteed rent, contributing to the increase in revenue from Singapore.

After deducting property expenses, we have achieved a net property income of S\$26.5 million for 3Q 2018, which was S\$0.6 million higher than 3Q 2017.

The increase in management fees were mainly due to higher deposited property value and higher net property income from the properties acquired in February 2018, as well as valuation gains on the existing property portfolio, which led to a corresponding increase in deposited property.

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

Overall, annualised distribution per unit (DPU) of 12.92 cents for 3Q 2018 has declined by 4.1% or 0.56 cents as compared to 3Q 2017, mainly due to the absence of one-off distribution of divestment gain, arising from the divestment of four Japan properties in December 2016, which has been fully distributed to Unitholders over four quarters in FY2017. Excluding the one-off gain, DPU from recurring operations (net of amount retained for capital expenditure) for 3Q 2018 has grown by 2.7% year-on-year.

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**YTD 3Q 2018 Vs YTD 3Q 2017**

Gross revenue for YTD 3Q 2018 has increased by 2.3% year-on-year to S\$84.3 million. The growth was largely attributed to revenue contribution from the Japan property acquisition in February 2018, higher yielding properties acquired from the asset recycling initiative completed in February 2017 and higher rent from the existing properties offset by the depreciation of the Japanese Yen.

Correspondingly, property expenses for YTD 3Q 2018 were S\$0.1 million or 2.7% higher than YTD 3Q 2017. The result was a net property income of S\$78.7 million for YTD 3Q 2018, which was S\$1.8 million higher than YTD 3Q 2017.

The Manager's management fees for YTD 3Q 2018 of S\$8.5 million was slightly higher than YTD 3Q 2017. This was due to higher deposited property value and higher net property income as explained earlier, offset by the depreciation of the Japanese Yen.

Finance costs have decreased mainly due to finance cost savings arising from the refinancing initiatives took place in 2017 and 1Q 2018 as well as the depreciation of the Japanese Yen. In addition, there was higher amortisation of transaction costs due to larger one-off expense of the remaining un-amortised costs for the debt facilities that were refinanced in YTD 3Q 2017. Higher trust expenses for YTD 3Q 2018 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 S\$0.3 million and S\$0.4 million from the delivery of Japan net income hedges in YTD 3Q 2018 and YTD 3Q 2017 respectively. In 2017, the Group has further recognised a realised foreign exchange gain of S\$0.9 million arising from the capital repatriation for the cash trap in Japan, which unlocked the foreign exchange gain in the foreign currency translation reserve for its earlier Japan acquisitions.

Overall, annualised DPU for YTD 3Q 2018 of 12.79 cents has declined by 3.7% or 0.50 cents as compared with YTD 3Q 2017's DPU of 13.29 cents, mainly due to one-off distribution of divestment gains arising from the property divestment in December 2016 which has been fully distributed to Unitholders over four quarters in FY2017. Excluding the one-off gain, DPU from recurring operations (net of amount retained for capital expenditure) for YTD 3Q 2018 has grown by 3.2% year-on-year.

**9 Review of the performance against Forecast/Prospect Statement**

Not Applicable.

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

The long-term outlook of the industry continues to be driven by aging population and demand for better quality healthcare and aged care services. Notwithstanding that, Parkway Life REIT remains cautious and vigilant given the current uncertainties in the macro economy and volatility in the financial market.

Parkway Life REIT's enlarged portfolio of 50 high-quality healthcare and healthcare-related assets places it in a good position to benefit from the resilient growth of the healthcare industry in the Asia Pacific region. Also, the portfolio is largely supported by favourable rental lease structures, where at least 95% of its Singapore and Japan portfolios have downside revenue protection and 62% of the total portfolio is pegged to CPI-linked revision formula, ensuring steady rental growth whilst protecting revenue stability amid uncertain market conditions.

In addition, Parkway Life REIT adopts prudent financial risk management to manage the exposure to interest rate risk and foreign currency risk. Interest rate risk is managed on an ongoing basis by largely hedging long-term committed borrowings using interest rate hedging financial instruments or issuance of fixed rate notes. This strengthens Parkway Life REIT's 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.

**11 Distributions**

**(a) Current financial period**

Any distributions  
declared for the  
current financial period: Yes

Name of distribution: Third quarter distribution for the period from 1 July 2018 to 30 September 2018

<b>Distribution Type</b>	<b>Distribution Rate (cents per unit)</b>
Taxable Income	2.32
Exempt Income	0.42
Capital Distribution	0.49
<b>Total</b>	<b>3.23</b>

Par value of units: Not meaningful

Tax rate: **Taxable Income Distribution**

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

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

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

**Exempt Income Distribution**

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

**Capital Distribution**

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

**(b) Corresponding period of the immediately preceding year**

Any distributions  
declared for the  
previous corresponding  
financial period: Yes

Name of distribution: Third quarter distribution for the period from 1 July 2017 to 30 September 2017

<b>Distribution Type</b>	<b>Distribution Rate (cents per unit)</b>
Taxable Income	2.30
Exempt Income	0.35
Capital Distribution	0.50
Other Gains Distribution	0.22
<b>Total</b>	<b>3.37</b>

Par value of units: Not meaningful

**Tax Rate: Taxable Income Distribution**

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

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

**Exempt Income Distribution**

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



**Capital Distribution**

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**Other Gains Distribution**

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

(c) **Book closure date:** 2 November 2018

(d) **Date payable:** 26 November 2018

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

Not Applicable.

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

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

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

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

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

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

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

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

**Yong Yean Chau**  
Chief Executive Officer and Executive Director

**Ho Kian Guan**  
Chairman and Independent Director

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

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

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

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

Chan Wan Mei  
Company Secretary  
25 October 2018

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

**Important Notice**

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

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