



ParkwayLife REIT

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST 2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

INTRODUCTION

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

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

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

As at 30 June 2019, 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\$1.87 billion as at 30 June 2019.

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

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	1H 2019	1H 2018	Increase/(Decrease)	
		S\$'000	S\$'000	S\$'000	%
Gross Revenue		57,254	55,874	1,380	2.5
Net Property Income		53,349	52,162	1,187	2.3
Total Distributable Income to Unitholders	(a)	39,661	38,497	1,164	3.0
Distribution per unit (cents)	(b)	6.55	6.36	0.19	3.0
Annualised distribution per unit (cents)		13.10	12.72	0.38	3.0
Distribution yield (%), based on - Closing market price of S\$3.03 as at 28 June 2019		4.32	4.20		3.0

Note(s):

- (a) Net of amount retained for capital expenditure on existing properties, amounting to S\$3.0 million each year.
- (b) In computing the Distribution per Unit ("DPU"), the number of units in issue as at the end of each period is used.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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

Consolidated Statement of Total Return

	Notes	2Q 2019 S\$'000	2Q 2018 S\$'000	Inc/ (Dec) %	1H 2019 S\$'000	1H 2018 S\$'000	Inc/ (Dec) %
Gross revenue		28,864	28,059	2.9	57,254	55,874	2.5
Property expenses		(2,057)	(1,858)	10.7	(3,905)	(3,712)	5.2
Net property income		26,807	26,201	2.3	53,349	52,162	2.3
Management fees	(a)	(2,940)	(2,837)	3.6	(5,838)	(5,635)	3.6
Trust expenses	(b)	(778)	(682)	14.1	(1,467)	(1,424)	3.0
Net foreign exchange gain		84	119	(29.4)	187	622	(69.9)
Interest income		3	-	100.0	6	-	100.0
Finance costs	(c)	(1,610)	(1,651)	(2.5)	(3,357)	(3,384)	(0.8)
Non-property expenses		(5,241)	(5,051)	3.8	(10,469)	(9,821)	6.6
Total return before changes in fair value of financial derivatives		21,566	21,150	2.0	42,880	42,341	1.3
Net change in fair value of financial derivatives	(d)	(913)	(34)	2,585.3	(342)	(2,573)	(86.7)
Total return for the period before tax and distribution		20,653	21,116	(2.2)	42,538	39,768	7.0
Income tax expense	(e)	(1,926)	(1,841)	4.6	(3,839)	(3,583)	7.1
Total return for the period after tax before distribution		18,727	19,275	(2.8)	38,699	36,185	6.9

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 2Q 2019 income tax expense is the withholding tax of S\$1.2 million (2Q 2018: S\$1.2 million) and deferred tax of S\$0.7 million (2Q 2018: S\$0.6 million) in respect of the Japan investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

Distribution Statement

	Notes	2Q 2019 S\$'000	2Q 2018 S\$'000	Inc/ (Dec) %	1H 2019 S\$'000	1H 2018 S\$'000	Inc/ (Dec) %
Total return after tax before distribution		18,727	19,275	(2.8)	38,699	36,185	6.9
Non-tax deductible/(non-taxable) items:							
Trustee's fees		79	77	2.6	158	153	3.3
Amortisation of transaction costs relating to debt facilities		148	148	-	390	311	25.4
Net change in fair value of financial derivatives		913	34	2,585.3	342	2,573	(86.7)
Foreign exchange gain		(32)	(46)	(30.4)	(38)	(486)	(92.2)
Temporary differences	(a)	703	639	10.0	1,416	1,271	11.4
Others		44	(42)	n.m. ¹	194	(5)	n.m.
Net effect of non-tax deductible/(non-taxable) items		1,855	810	129.0	2,462	3,817	(35.5)
Rollover adjustment	(b)	-	(5)	n.m.	-	(5)	n.m.
Amount available for distribution to Unitholders		20,582	20,080	2.5	41,161	39,997	2.9
Amount retained for capital expenditure	(c)	(750)	(750)	-	(1,500)	(1,500)	-
Distributable income to Unitholders	(d)	19,832	19,330	2.6	39,661	38,497	3.0

Note(s):

- (a) This relates to deferred tax expense provided for the temporary difference 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 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 had been adjusted under the rollover mechanism agreed with the IRAS.
- (c) An amount of S\$3.0 million is retained for capital expenditure on existing properties each year.
- (d) Parkway Life REIT's distribution policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined at the Manager's discretion.

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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

	Notes	Group 30/06/19 S\$'000	Group 31/12/18 S\$'000	Trust 30/06/19 S\$'000	Trust 31/12/18 S\$'000
Current assets					
Trade and other receivables		11,061	11,211	10,163	10,170
Financial derivatives		54	44	54	44
Cash and cash equivalents		29,582	22,102	1,046	1,004
		40,697	33,357	11,263	11,218
Non-current assets					
Investment properties	(a)	1,871,416	1,860,534	1,163,865	1,160,400
Interests in subsidiaries		-	-	582,106	582,106
Financial derivatives		192	237	192	237
Total assets		1,912,305	1,894,128	1,757,426	1,753,961
Current liabilities					
Financial derivatives		666	352	666	352
Trade and other payables		17,641	20,799	10,635	13,858
Current portion of security deposits		1,010	1,000	43	43
Loans and borrowings	(b)	10,170	-	10,170	-
Provision for taxation		-	2	-	-
		29,487	22,153	21,514	14,253
Non-current liabilities					
Financial derivatives		5,839	4,002	5,839	4,002
Non-current portion of security deposits		19,647	19,442	-	-
Loans and borrowings	(c)	692,844	683,183	692,844	683,183
Deferred tax liabilities		30,741	28,955	-	-
Total liabilities		778,558	757,735	720,197	701,438
Net assets		1,133,747	1,136,393	1,037,229	1,052,523
Represented by:					
Unitholders' funds		1,133,747	1,136,393	1,037,229	1,052,523
Total equity		1,133,747	1,136,393	1,037,229	1,052,523

Note(s):

- (a) The increase in investment properties was due to the appreciation of the Japanese Yen and capital expenditure of existing assets.
- (b) The increase in current term borrowings was mainly due to drawdown of short term loan facilities for working capital purposes.
- (c) The increase in long term borrowings was mainly due to the appreciation of the Japanese Yen and drawdown of long term revolving credit facility for working capital purposes.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

1(b)(ii) Aggregate amount of borrowings

	Group 30/06/19 S\$'000	Group 31/12/18 S\$'000	Trust 30/06/19 S\$'000	Trust 31/12/18 S\$'000
Unsecured gross borrowings				
Amount repayable within one year	10,170	-	10,170	-
Amount repayable after one year	694,632	684,722	694,632	684,722
Less: Transaction costs in relation to the term loan and revolving credit facilities	(1,788)	(1,539)	(1,788)	(1,539)
	703,014	683,183	703,014	683,183

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 36.9% as at 30 June 2019, within the 45% limit allowed under the Monetary Authority of Singapore's Property Funds Appendix.

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

Unsecured Borrowings

As at 30 June 2019, the total credit facilities drawn of JPY27,598 million (approximately S\$346.3 million²) and S\$200.2 million (the "**Long Term Facilities**") were committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT.

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

In addition, Parkway Life REIT has two unsecured and uncommitted short term multi-currency facilities ("**Short Term Facilities**") amounting to S\$120 million for general working capital purposes. As at 30 June 2019, the Group has drawn down S\$2.0 million and JPY651 million (approximately S\$8.2 million²) over one to three months via the Short Term Facilities, at the bank's cost of fund.

Unsecured Debt Issuance

Parkway Life REIT, through its wholly-owned subsidiary, Parkway Life MTN Pte Ltd (the "MTN Issuer"), has put in place a S\$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, 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 June 2019, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme amounted to JPY11,800 million (approximately S\$148.1 million²).

² Based on exchange rate of S\$1.255 per JPY100 as at 30 June 2019.

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

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

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

The Group has also entered into foreign currency forward contracts to hedge the net foreign income from Japan. In 2Q 2019, the Group has entered into additional Japanese Yen forward contracts to extend the maturity till 1Q 2024. This enhances the stability of distribution to Unitholders.

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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

	Notes	2Q 2019 S\$'000	2Q 2018 S\$'000	1H 2019 S\$'000	1H 2018 S\$'000
Operating activities					
Total return before tax and distribution		20,653	21,116	42,538	39,768
Adjustments for					
Interest income		(3)	-	(6)	-
Finance costs		1,610	1,651	3,357	3,384
Net change in fair value of financial derivatives		913	34	342	2,573
Operating income before working capital changes		23,173	22,801	46,231	45,725
Changes in working capital					
Trade and other receivables		373	341	170	483
Trade and other payables		1,511	1,299	(2,271)	(2,156)
Security deposits		-	-	(26)	575
Cash generated from operations		25,057	24,441	44,104	44,627
Income tax paid		(1,162)	(1,097)	(2,426)	(2,244)
Cash flows generated from operating activities	(a)	23,895	23,344	41,678	42,383
Investing activities					
Interest received		3	-	6	-
Capital expenditure on investment properties		(1,570)	(1,989)	(5,062)	(3,584)
Cash outflow on purchase of investment properties (including acquisition related costs)	(b)	-	(92)	-	(20,860)
Cash flows used in investing activities	(c)	(1,567)	(2,081)	(5,056)	(24,444)
Financing activities					
Interest paid		(1,368)	(1,570)	(2,954)	(3,090)
Distribution to Unitholders		(19,844)	(19,179)	(39,688)	(39,628)
Proceeds from notes issuance		-	-	-	43,190
Proceeds from borrowings		19,931	20,761	136,127	116,683
Repayment of borrowings		(16,872)	(16,142)	(122,065)	(129,140)
Borrowing costs paid		(61)	(30)	(639)	(438)
Cash flows used in financing activities	(d)	(18,214)	(16,160)	(29,219)	(12,423)
Net increase in cash and cash equivalents		4,114	5,103	7,403	5,516
Cash and cash equivalents at beginning of the period		24,700	26,486	21,832	25,462
Effects of exchange differences on cash balances		495	(206)	74	405
Cash and cash equivalents at end of the period³		29,309	31,383	29,309	31,383

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

Note(s):

(a) The higher cash flows from operating activities in 2Q 2019 was mainly due to higher rent from the Singapore properties and one-off receipt of insurance reimbursement and consumption tax refund from certain Japanese assets.

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

	2Q 2019	2Q 2018	1H 2019	1H 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Investment properties	-	-	-	18,450
Acquisition related costs	-	92	-	2,410
Net cash outflow/Cash consideration paid	-	92	-	20,860

(c) The cash flows in investing activities in 2Q 2019 was mainly due to payment of capital expenditure on existing properties.

(d) The cash flows in financing activities in 2Q 2019 was mainly due to payment of 1Q 2019 distribution to Unitholders.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

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

	Notes	Group 2Q 2019 S\$'000	Group 2Q 2018 S\$'000	Group 1H 2019 S\$'000	Group 1H 2018 S\$'000
Unitholders' funds at beginning of period		1,137,749	1,059,469	1,136,393	1,065,340
Operations					
Total return after tax		18,727	19,275	38,699	36,185
Translation transactions					
Net movement in foreign currency translation reserve	(a)	(2,719)	(521)	(1,860)	(4,198)
Hedging reserve					
Net movement in hedging reserve	(b)	(166)	696	203	2,041
Unitholders' transactions					
Distribution to Unitholders		(19,844)	(19,179)	(39,688)	(39,628)
Unitholders' funds at end of period		1,133,747	1,059,740	1,133,747	1,059,740

	Notes	Trust 2Q 2019 S\$'000	Trust 2Q 2018 S\$'000	Trust 1H 2019 S\$'000	Trust 1H 2018 S\$'000
Unitholders' funds at beginning of period		1,057,866	996,154	1,052,523	1,026,098
Operations					
Total return after tax		(627)	16,513	24,191	5,673
Hedging reserve					
Net movement in hedging reserve	(b)	(166)	696	203	2,041
Unitholders' transactions					
Distribution to Unitholders		(19,844)	(19,179)	(39,688)	(39,628)
Unitholders' funds at end of period		1,037,229	994,184	1,037,229	994,184

Note(s):

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

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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

	2Q 2019 '000	2Q 2018 '000	1H 2019 '000	1H 2018 '000
Units in issue at beginning and at end of period	605,002	605,002	605,002	605,002

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

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

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

Not Applicable.

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

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 2018.

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 2019. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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

	Notes	2Q 2019 '000	2Q 2018 '000	1H 2019 '000	1H 2018 '000
Number of units in issue at end of period		605,002	605,002	605,002	605,002
Weighted average number of units for the period		605,002	605,002	605,002	605,002
Earnings per unit in cents (basic and diluted) (EPU)	(a)	3.10	3.18	6.40	5.98
Applicable number of units for calculation of DPU		605,002	605,002	605,002	605,002
Distribution per unit in cents (DPU)	(b)	3.27	3.19	6.55	6.36

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 30/06/19 S\$	Group 31/12/18 S\$	Trust 30/06/19 S\$	Trust 31/12/18 S\$
Net asset value (“NAV”) per unit	(a)	1.87	1.88	1.71	1.74
Adjusted NAV per unit (excluding the distributable income)		1.84	1.85	1.68	1.71
Net tangible asset per unit	(a)	1.87	1.88	1.71	1.74

Note(s):

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

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

8 Review of the performance

	2Q 2019 S\$'000	2Q 2018 S\$'000	Inc/ (Dec) %	1H 2019 S\$'000	1H 2018 S\$'000	Inc/ (Dec) %
Gross revenue	28,864	28,059	2.9	57,254	55,874	2.5
Property expenses	(2,057)	(1,858)	10.7	(3,905)	(3,712)	5.2
Net property income	26,807	26,201	2.3	53,349	52,162	2.3
Management fees	(2,940)	(2,837)	3.6	(5,838)	(5,635)	3.6
Trust expenses	(778)	(682)	14.1	(1,467)	(1,424)	3.0
Net foreign exchange gain	84	119	(29.4)	187	622	(69.9)
Interest income	3	-	100.0	6	-	100.0
Finance costs	(1,610)	(1,651)	(2.5)	(3,357)	(3,384)	(0.8)
Non-property expenses	(5,241)	(5,051)	3.8	(10,469)	(9,821)	6.6
Total return before changes in fair value of financial derivatives	21,566	21,150	2.0	42,880	42,341	1.3
Net change in fair value of financial derivatives	(913)	(34)	2,585.3	(342)	(2,573)	(86.7)
Total return for the period before tax and distribution	20,653	21,116	(2.2)	42,538	39,768	7.0
Income tax expense	(1,926)	(1,841)	4.6	(3,839)	(3,583)	7.1
Total return for the period after tax before distribution	18,727	19,275	(2.8)	38,699	36,185	6.9
Net effect of non-tax deductible/(non-taxable) items	1,855	810	129.0	2,462	3,817	(35.5)
Rollover adjustment	-	(5)	n.m.	-	(5)	n.m.
Amount available for distribution to Unitholders	20,582	20,080	2.5	41,161	39,997	2.9
Amount retained for capital expenditure	(750)	(750)	-	(1,500)	(1,500)	-
Distributable income to Unitholders	19,832	19,330	2.6	39,661	38,497	3.0
Distribution per Unit (cents)	3.27	3.19	2.6	6.55	6.36	3.0
Annualised Distribution per Unit (cents)	13.08	12.76	2.6	13.10	12.72	3.0

2Q 2019 Vs 2Q 2018

Gross revenue for 2Q 2019 was higher than 2Q 2018 by S\$0.8 million mainly due to higher rent from the Singapore properties, receipt of one-off consumption tax refund relating to the acquisition costs of the property acquired in February 2018 and appreciation of the Japanese Yen. Included in this quarter's revenue was a one-off insurance proceeds which was used to reimburse property repair expenses incurred by certain Japanese properties in the same quarter.

After deducting property expenses, we have achieved a net property income of S\$26.8 million for 2Q 2019, which was S\$0.6 million higher than 2Q 2018.

The increase in management fees was mainly due to higher deposited property value arising from valuation gains on the existing property portfolio.

Trust expenses were higher than 2Q 2018 due to higher professional fees incurred for 2Q 2019. In the same period, the Group has recognised a realised foreign exchange gain of about S\$52,000 from the delivery of quarterly Japanese Yen forward contracts to hedge the net income from Japan.

Finance costs have decreased due to finance cost savings arising from the refinancing initiatives completed in 2018 and 1Q 2019 partially offset by the rising interest costs for the Singapore dollars debts and appreciation of the Japanese Yen.

Overall, distribution per unit (DPU) of 3.27 cents for 2Q 2019 has outperformed by 2.6% or 0.08 cents as compared to 2Q 2018, mainly led by rental growth of existing properties and financing cost savings.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

1H 2019 Vs 1H 2018

Gross revenue for 1H 2019 has increased by 2.5% year-on-year to S\$57.3 million. The growth was largely attributed to revenue contribution from the Japan property acquisition in February 2018, higher rent from the existing properties and appreciation of the Japanese Yen.

Property expenses for 1H 2019 were S\$3.9 million or 5.2% higher than 1H 2018 due to higher property repair expenses. The result was a net property income of S\$53.3 million for 1H 2019, which was S\$1.2 million higher than 1H 2018.

The Manager's management fees for 1H 2019 of S\$5.8 million was 3.6% higher than 1H 2018. This was due to higher deposited property value and higher net property income from the property acquired in 1Q 2018 as well as valuation gains on the existing property portfolio which led to a corresponding increase in deposited property and appreciation of the Japanese Yen.

Finance costs have decreased mainly due to finance cost savings arising from the refinancing initiatives took place in 2018 and 1Q 2019. The finance cost savings were partially offset by the rising interest costs for the Singapore dollars debts, higher amortisation of transaction costs due to one-off expense of the remaining un-amortised costs for the debt facilities that were refinanced in 1H 2019 and appreciation of the Japanese Yen. Higher trust expenses for 1H 2019 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\$150,000 and S\$135,000 from the delivery of Japan net income hedges in 1H 2019 and 1H 2018 respectively.

Overall, annualised DPU for 1H 2019 of 13.10 cents has outperformed by 3.0% or 0.38 cents as compared with 1H 2018's DPU of 12.72 cents, mainly led by acquisition, rental growth of existing properties and financing cost savings.

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 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 61% 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: Second quarter distribution for the period from 1 April 2019 to 30 June 2019

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.30
Exempt Income	0.41
Capital Distribution	0.56
Total	3.27

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: Second quarter distribution for the period from 1 April 2018 to 30 June 2018

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.27
Exempt Income	0.36
Capital Distribution	0.56
Total	3.19

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.

- (c) **Book closure date:** 8 August 2019
- (d) **Date payable:** 4 September 2019

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

Not Applicable.

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

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

14 Certification pursuant to Paragraph 7.3 of the Property Funds Appendix

The Manager hereby certifies that in relation to the distribution to the Unitholders of Parkway Life REIT for the quarter ended 30 June 2019:

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

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

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

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

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

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

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

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

Yong Yean Chau
Chief Executive Officer and Executive Director

Ho Kian Guan
Chairman and Independent Director

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT**

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

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

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

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

Chan Wan Mei
Company Secretary
31 July 2019

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.