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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 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 43 high quality nursing home and care facility properties located in various prefectures of Japan, (collectively, the "Japan Properties"). On 22 December 2016, it has completed the disposal of four nursing home properties in Japan.

As at 31 December 2016, Parkway Life REIT owns a well-diversified portfolio of 44 properties located in the Asia-Pacific region, including three hospitals in Singapore, 40 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$1.7 billion as at 31 December 2016.

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.

SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015	Increase/(Decrease)	
	Notes	**S$'000**	**S$'000**	**S$'000**	**%**
Gross Revenue		**110,123**	**102,694**	**7,429**	**7.2**
Net Property Income		**102,426**	**95,997**	**6,429**	**6.7**
Total Distributable Income to Unitholders		**73,306**	**80,385**	**(7,079)**	**(8.8)**
- from operations		76,306	74,275	2,031	2.7
- from distribution of divestment gains	(a)	-	9,110	(9,110)	n.m.[1]
- amount retained for capital expenditure	(b)	(3,000)	(3,000)	-	-
Distribution per unit (cents)	(c)	**12.12**	**13.29**	**(1.17)**	**(8.8)**
Distribution yield (%), based on - Closing market price of S$2.36 as at 30 December 2016		**5.14**	**5.63**		**(8.8)**

Note(s):

(a) In relation to the divestment of seven Japan properties in December 2014 as announced on 26 December 2014. Divestment gains (after tax) of S$9,110,000 have been fully distributed to Unitholders over four quarters in FY2015.

(b) An amount of S$3.0 million is retained for capital expenditure on existing properties each year.

(c) In computing the Distribution per Unit ("DPU"), the number of units in issue as at the end of each period is used.

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

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	4Q 2016 S$'000	4Q 2015 S$'000	Inc/ (Dec) %	2016 S$'000	2015 S$'000	Inc/ (Dec) %
Gross revenue		**27,731**	**26,308**	**5.4**	**110,123**	**102,694**	**7.2**
Property expenses		(2,172)	(1,725)	25.9	(7,697)	(6,697)	14.9
Net property income		**25,559**	**24,583**	**4.0**	**102,426**	**95,997**	**6.7**
Management fees	(a)	(2,800)	(2,658)	5.3	(11,113)	(10,412)	6.7
Trust expenses	(b)	(697)	(913)	(23.7)	(2,870)	(2,633)	9.0
Net foreign exchange gain		240	597	(59.8)	1,234	3,092	(60.1)
Interest income		1	-	100.0	4	11	(63.6)
Finance costs	(c)	(2,416)	(2,282)	5.9	(9,910)	(8,778)	12.9
Non-property expenses		**(5,672)**	**(5,256)**	**7.9**	**(22,655)**	**(18,720)**	**21.0**
Total return before changes in fair value of financial derivatives and investment properties		**19,887**	**19,327**	**2.9**	**79,771**	**77,277**	**3.2**
Net change in fair value of financial derivatives	(d)	3,046	39	7,710.3	(1,912)	(4,084)	(53.2)
Net change in fair value of investment properties	(e)	18,159	5,734	216.7	18,159	5,734	216.7
Gain on disposal of investment properties	(f)	4,156	-	100.0	4,156	-	100.0
Total return for the period before tax and distribution		**45,248**	**25,100**	**80.3**	**100,174**	**78,927**	**26.9**
Income tax expense	(g)	(3,036)	(7,377)	(58.8)	(8,245)	(11,939)	(30.9)
Total return for the period after tax before distribution		**42,212**	**17,723**	**138.2**	**91,929**	**66,988**	**37.2**

Note(s):

(a) Management fees comprise of the 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 comprise 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) Valuations are performed by independent professional valuers for all investment properties as at 31 December 2016. The net change in fair value of investment properties represents a gain of 1.1% in the total portfolio value.

(f) This relates to gain arising from the disposal of four nursing home properties in Japan which was completed on 22 December 2016.

(g) Included in 4Q 2016 income tax expense is the withholding tax of S$1.2 million on the net rental income derived from existing Japan properties, net withholding tax payable of S$0.7 million imposed on the disposal gains in relation to the disposal of four nursing home properties in Japan and deferred tax of S$1.1 million in respect of the existing Japan and Malaysia investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

The net withholding tax payable of S$0.7 million consists of a one-off S$3.5 million withholding tax imposed on the disposal gains in relation to the disposal of four nursing home properties in Japan which offset against the deferred tax previously provided on these divested properties of S$2.8 million.

Distribution Statement

	Notes	4Q 2016 S$'000	4Q 2015 S$'000	Inc/ (Dec) %	2016 S$'000	2015 S$'000	Inc/ (Dec) %
Total return after tax before distribution		**42,212**	**17,723**	**138.2**	**91,929**	**66,988**	**37.2**
Non-tax deductible/(non-taxable) items:							
Trustee's fees		76	73	4.1	300	290	3.4
Amortisation of transaction costs relating to debt facilities		165	168	(1.8)	866	867	(0.1)
Net change in fair value of financial derivatives		(3,046)	(39)	7,710.3	1,912	4,084	(53.2)
Net fair value gain on investment properties (net of deferred tax impact)		(17,019)	482	3,630.9	(15,497)	1,718	1,002.0
Foreign exchange difference		19	(39)	148.7	(186)	(395)	(52.9)
Gain on disposal of investment properties (net of tax)		(3,486)	-	(100.0)	(3,486)	203	1,817.2
Others		315	421	(25.2)	491	483	1.7
Net effect of non-tax deductible/(non-taxable) items		**(22,976)**	**1,066**	**2,255.3**	**(15,600)**	**7,250**	**315.2**
Rollover adjustment	(a)	-	35	n.m.	(23)	37	162.2
Amount available for distribution to Unitholders		**19,236**	**18,824**	**2.2**	**76,306**	**74,275**	**2.7**
Distribution of divestment gains	(b)	-	2,277	n.m.	-	9,110	n.m.
Amount retained for capital expenditure	(c)	(750)	(750)	-	(3,000)	(3,000)	-
Distributable income to Unitholders	(d)	**18,486**	**20,351**	**(9.2)**	**73,306**	**80,385**	**(8.8)**

Note(s):

(a) The rollover adjustment in 2016 and 2015 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 2015 and 2014 respectively and had been adjusted under the rollover mechanism agreed with the IRAS.

(b) This refers to the partial distribution of the gains arising from the divestment of seven Japan properties in December 2014 as announced on 26 December 2014. The gain is classified as capital distribution from a tax perspective. The entire divestment gains, after deducting all relevant taxes, of S$9,110,000 has been fully distributed to Unitholders over four quarters in FY2015.

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

	Notes	Group 31/12/16 S$'000	Group 31/12/15 S$'000	Trust 31/12/16 S$'000	Trust 31/12/15 S$'000
Current assets					
Trade and other receivables		10,504	10,385	9,603	9,398
Financial derivatives		335	-	335	-
Cash and cash equivalents	(a)	71,096	20,358	924	427
		81,935	**30,743**	**10,862**	**9,825**
Non-current assets					
Investment properties	(b)	1,657,209	1,635,308	1,057,200	1,037,400
Interests in subsidiaries		-	-	560,962	557,907
Security deposit receivable		-	706	-	-
Financial derivatives		210	2,647	210	2,647
Total assets		**1,739,354**	**1,669,404**	**1,629,234**	**1,607,779**
Current liabilities					
Financial derivatives		336	-	336	-
Trade and other payables		23,482	15,729	12,914	9,191
Current portion of security deposits		2,676	1,724	-	3
Loans and borrowings	(c)	16,246	1,000	16,246	1,000
Provision for taxation		-	1	-	-
		42,740	**18,454**	**29,496**	**10,194**
Non-current liabilities					
Financial derivatives		8,002	3,457	8,002	3,457
Non-current portion of security deposits		17,704	18,368	-	-
Loans and borrowings	(d)	612,539	586,188	612,539	586,188
Deferred tax liabilities		20,733	19,750	-	-
Total liabilities		**701,718**	**646,217**	**650,037**	**599,839**
Net assets		**1,037,636**	**1,023,187**	**979,197**	**1,007,940**
Represented by:					
Unitholders' funds		1,037,636	1,023,187	979,197	1,007,940
Total equity		**1,037,636**	**1,023,187**	**979,197**	**1,007,940**

Note(s):

(a) Higher cash and cash equivalents as of 31 December 2016 comprised of the divestment proceeds from the disposal of four nursing homes on 22 December 2016.

(b) Investment properties are stated at valuation performed by independent valuers as at 31 December 2016. The increase in investment properties was mainly due to the gain on revaluation, acquisition of a nursing home on 31 March 2016 and appreciation of the Japanese Yen offset by the disposal of four nursing homes on 22 December 2016. A revaluation surplus of S$18.2 million was recognised in the Statement of Total Return.

(c) The increase in current term borrowings was mainly due to the drawndown of short term loan facility for working capital purposes.

(d) The increase in long term borrowings was mainly due to property acquisition on 31 March 2016 and appreciation of the Japanese Yen.

1(b)(ii) Aggregate amount of borrowings

	Group 31/12/16 S$'000	Group 31/12/15 S$'000	Trust 31/12/16 S$'000	Trust 31/12/15 S$'000
Unsecured gross borrowings				
Amount repayable within one year	16,246	1,000	16,246	1,000
Amount repayable after one year	614,921	588,398	614,921	588,398
Less: Transaction costs in relation to the term loan and revolving credit facilities	(2,382)	(2,210)	(2,382)	(2,210)
	628,785	**587,188**	**628,785**	**587,188**

Parkway Life REIT has Baa2 issuer rating, as well as a provisional (P)Baa2 senior unsecured rating to the S$500 million multicurrency Medium Term Note Programme (the "MTN Programme") by Moody's, with Stable Outlook.

As at 31 December 2016, Parkway Life REIT's gearing was 36.3%, 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 September 2016, Parkway Life REIT has several JPY unsecured term loans and revolving credit facility amounting to JPY33,060 million (approximately S$409.6 million[2]).

On 15 December 2016, the Group has repaid part of the long term facility amounting to JPY869 million (approximately S$10.8 million[2]).As at 31 December 2016, the total outstanding facilities drawn of JPY32,191 million (approximately S$398.8 million[2]) and S$175.2 million credit facilities (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 above Long Term Facilities is based on floating rate plus a margin.

During the quarter, the Group has secured JPY8,800 million (approximately S$109.0 million[2]) term loan facility to pre-emptive refinance and term out the remaining loan due in FY2018 in early 2017 as well as for working capital purpose.

In addition, Parkway Life REIT has two unsecured and uncommitted short term multi-currency facilities of S$75 million each (the "**Short Term Facilities**") for the Group's general working capital purposes. As at 31 December 2016, the Group has drawn down S$16.2 million and JPY3.7 million (approximately S$0.05 million[2]) over 1 month to 3 months period via the Short Term Facilities, at the bank's cost of fund.

Unsecured Medium Term Notes

Parkway Life REIT, through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (the "MTN Issuer"), has established a S$500 million Multicurrency Medium Term Note Programme (the "MTN Programme") in 2008. Under the MTN Programme, the MTN Issuer may, subject to the compliance with all relevant laws, regulations and directives, from time to time issue notes in series or in tranches in Singapore dollars, United States dollars or any other currency (the "Notes").

The Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the MTN 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

[2] Based on exchange rate of S$1.239 per JPY100 as at 31 December 2016.

and priorities created by law) of the MTN Issuer. All sums payable in respect of the Notes will be unconditionally and irrevocably guaranteed by Parkway Life REIT.

As at 31 December 2016, the outstanding notes issued under the MTN Programme was JPY3,300 million (approximately S$40.9 million[2]).

(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. In addition, the Group had entered into an interest rate swap to hedge its existing SGD long term credit facilities.

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 of 31 December 2016, the Group has in place Japanese Yen forward contracts till 1Q 2020. 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.

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	4Q 2016 S$'000	4Q 2015 S$'000	2016 S$'000	2015 S$'000
Operating activities					
Total return before tax and distribution		**45,248**	**25,100**	**100,174**	**78,927**
Adjustments for					
Unrealised foreign exchange difference		(2)	(219)	(2)	-
Interest income		(1)	-	(4)	(11)
Finance costs		2,416	2,282	9,910	8,778
Net change in fair value of financial derivatives		(3,046)	(39)	1,912	4,084
Net change in fair value of investment properties		(18,159)	(5,734)	(18,159)	(5,734)
Gain on disposal of investment properties		(4,156)	-	(4,156)	-
Operating income before working capital changes		**22,300**	**21,390**	**89,675**	**86,044**
Changes in working capital					
Trade and other receivables		402	127	(41)	64
Trade and other payables		319	801	2,701	(194)
Security deposits		(819)	50	11	5,586
Cash generated from operations		22,202	22,368	92,346	91,500
Income tax paid		(1,273)	(1,128)	(4,829)	(9,487)
Cash flows generated from operating activities	**(a)**	**20,929**	**21,240**	**87,517**	**82,013**
Investing activities					
Interest received		1	-	4	11
Capital expenditure on investment properties		(2,498)	(2,078)	(6,060)	(5,716)
Cash outflow on purchase of investment properties (including acquisition related costs)	**(b)**	-	(489)	(14,995)	(97,583)
Net proceeds from sale of investment properties		48,704	-	48,704	-
Divestment related costs paid		(299)	-	(299)	(1,712)
Cash flows generated from/(used in) investing activities	**(c)**	**45,908**	**(2,567)**	**27,354**	**(105,000)**
Financing activities					
Interest paid		(2,250)	(2,098)	(9,035)	(7,845)
Distribution to Unitholders		(18,513)	(20,328)	(75,202)	(77,561)
Proceeds from Notes Issuance		-	-	39,699	-
Proceeds from borrowings		34,046	79,222	152,690	374,244
Repayment of borrowings		(40,766)	(83,885)	(173,054)	(397,985)
Borrowing costs paid		(542)	-	(1,038)	(606)
Cash flows used in financing activities	**(d)**	**(28,025)**	**(27,089)**	**(65,940)**	**(109,753)**
Net increase/(decrease) in cash and cash equivalents		**38,812**	**(8,416)**	**48,931**	**(132,740)**
Cash and cash equivalents at beginning of the period/year		**31,772**	**27,117**	**18,543**	**144,702**
Effects of exchange differences on cash balances		(1,400)	(158)	1,710	6,581
Cash and cash equivalents at end of the period/year[3]		**69,184**	**18,543**	**69,184**	**18,543**

[3] Cash and cash equivalents at the respective period end exclude a cash deposit of JPY154.4 million (S$1.9 million and S$1.8 million as at 31 December 2016 and 31 December 2015 respectively) placed with the Group by a vendor, for the purpose of Rental Income Guarantee. For more information on the Rental Income Guarantee, please refer to our announcement dated 13 July 2010 on the acquisition of five Japan properties.

Note(s):

(a) The decrease in cash flows from operating activities in 4Q 2016 is mainly due to the refund of security deposits in relation to the four divested properties in December 2016.

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

	4Q 2016 S$'000	4Q 2015 S$'000	2016 S$'000	2015 S$'000
Investment properties	-	-	13,944	92,810
Acquisition related costs	-	489	1,051	4,773
Net cash outflow/Cash consideration paid	**-**	**489**	**14,995**	**97,583**

(c) The cash flows in investing activities in 4Q 2016 is mainly due to proceeds from the divestment of four Japan nursing homes in December 2016 and payment of capital expenditure on existing properties.

(d) The cash flows in financing activities in 4Q 2016 primarily arose from the payment of 3Q 2016 distribution to Unitholders.

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

	Notes	Group 4Q 2016 S$'000	Group 4Q 2015 S$'000	Group 2016 S$'000	Group 2015 S$'000
Unitholders' funds at beginning of period/year		**1,009,525**	**1,026,062**	**1,023,187**	**1,035,349**
Operations					
Total return after tax		**42,212**	**17,723**	**91,929**	**66,988**
Translation transactions					
Net movement in foreign currency translation reserve	(a)	**837**	**(391)**	**(77)**	**(2,730)**
Hedging reserve					
Net movement in hedging reserve	(b)	**3,575**	**121**	**(2,201)**	**1,141**
Unitholders' transactions					
Distribution to Unitholders		**(18,513)**	**(20,328)**	**(75,202)**	**(77,561)**
Unitholders' funds at end of period/year		**1,037,636**	**1,023,187**	**1,037,636**	**1,023,187**

	Notes	Trust 4Q 2016 S$'000	Trust 4Q 2015 S$'000	Trust 2016 S$'000	Trust 2015 S$'000
Unitholders' funds at beginning of period/year		**913,697**	**1,029,083**	**1,007,940**	**1,086,592**
Operations					
Total return after tax		**80,438**	**(936)**	**48,660**	**(2,232)**
Hedging reserve					
Net movement in hedging reserve	(b)	**3,575**	**121**	**(2,201)**	**1,141**
Unitholders' transactions					
Distribution to Unitholders		**(18,513)**	**(20,328)**	**(75,202)**	**(77,561)**
Unitholders' funds at end of period/year		**979,197**	**1,007,940**	**979,197**	**1,007,940**

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

	4Q 2016 '000	4Q 2015 '000	2016 '000	2015 '000
Units in issue at beginning and at end of period/year	**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.

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 2015.

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.

Not Applicable.

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

	Notes	4Q 2016 '000	4Q 2015 '000	2016 '000	2015 '000
Number of units in issue at end of period/year		**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)	**6.98**	**2.93**	**15.19**	**11.07**
Applicable number of units for calculation of DPU		**605,002**	**605,002**	**605,002**	**605,002**
Distribution per unit in cents (DPU)	(b)	**3.06**	**3.37**	**12.12**	**13.29**

Note(s):

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

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

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

	Notes	Group 31/12/16 S$	Group 31/12/15 S$	Trust 31/12/16 S$	Trust 31/12/15 S$
Net asset value ("NAV") per unit	(a)	**1.72**	**1.69**	**1.62**	**1.67**
Adjusted NAV per unit (excluding the distributable income)		**1.68**	**1.66**	**1.59**	**1.63**
Net tangible asset per unit	(a)	**1.72**	**1.69**	**1.62**	**1.67**

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.

8 Review of the performance

	4Q 2016 S$'000	4Q 2015 S$'000	Inc/ (Dec) %	2016 S$'000	2015 S$'000	Inc/ (Dec) %
Gross revenue	**27,731**	**26,308**	**5.4**	**110,123**	**102,694**	**7.2**
Property expenses	(2,172)	(1,725)	25.9	(7,697)	(6,697)	14.9
Net property income	**25,559**	**24,583**	**4.0**	**102,426**	**95,997**	**6.7**
Management fees	(2,800)	(2,658)	5.3	(11,113)	(10,412)	6.7
Trust expenses	(697)	(913)	(23.7)	(2,870)	(2,633)	9.0
Net foreign exchange gain	240	597	(59.8)	1,234	3,092	(60.1)
Interest income	1	-	(100.0)	4	11	(63.6)
Finance costs	(2,416)	(2,282)	5.9	(9,910)	(8,778)	12.9
Non-property expenses	**(5,672)**	**(5,256)**	**7.9**	**(22,655)**	**(18,720)**	**21.0**
Total return before changes in fair value of financial derivatives and investment properties	**19,887**	**19,327**	**2.9**	**79,771**	**77,277**	**3.2**
Net change in fair value of financial derivatives	3,046	39	7,710.3	(1,912)	(4,084)	(53.2)
Net change in fair value of investment properties	18,159	5,734	216.7	18,159	5,734	216.7
Gain on disposal of investment properties	4,156	-	100.0	4,156	-	100.0
Total return for the period before tax and distribution	**45,248**	**25,100**	**80.3**	**100,174**	**78,927**	**26.9**
Income tax expense	(3,036)	(7,377)	(58.8)	(8,245)	(11,939)	(30.9)
Total return for the period after tax before distribution	**42,212**	**17,723**	**138.2**	**91,929**	**66,988**	**37.2**
Net effect of non-tax deductible/(non-taxable) items	(22,976)	1,066	2,255.3	(15,600)	7,250	315.2
Rollover adjustment	-	35	n.m.	(23)	37	162.2
Amount available for distribution to Unitholders	**19,236**	**18,824**	**2.2**	**76,306**	**74,275**	**2.7**
Distribution of divestment gains	-	2,277	n.m.	-	9,110	n.m.
Amount retained for capital expenditure	(750)	(750)	-	(3,000)	(3,000)	-
Distributable income to Unitholders	**18,486**	**20,351**	**(9.2)**	**73,306**	**80,385**	**(8.8)**
Distribution per Unit (cents)	**3.06**	**3.37**	**(9.2)**	**12.12**	**13.29**	**(8.8)**
Annualised Distribution per Unit (cents)	**12.24**	**13.48**	**(9.2)**	**12.12**	**13.29**	**(8.8)**

4Q 2016 Vs 4Q 2015

Gross revenue for 4Q 2016 was higher than 4Q 2015 by S$1.4 million driven primarily by contribution from one nursing home acquired on 31 March 2016, higher rent from the Singapore properties and appreciation of the Japanese Yen as compared to the same period last year. There was no significant income impact from the four Japan properties which were divested on 22 December 2016.

Higher property expenses mainly due to a one-off marketing commission paid to the Manager for the renewal of lease for the pharmaceutical product distributing and manufacturing facility whose lease had expired in December 2016. After deducting property expenses, we have achieved a net property income of S$25.6 million for 4Q 2016, which was S$1.0 million higher than 4Q 2015.

The increase in management fees were mainly due to higher deposited property value and higher net property income from the property acquired in March 2016, as well as valuation gains on the existing property portfolio, which led to a corresponding increase in deposited property.

The decrease in trust expense was due to lower professional fees incurred for 4Q 2016. In the same period, the Group has recognised a realised foreign exchange gain of S$0.2 million from the delivery of quarterly Japanese Yen forward contracts.

Finance costs have increased in tandem with the growth of the portfolio. The increase is mainly due to additional financing costs incurred to finance the property acquisition in 1Q 2016, higher hedged costs for the existing SGD loan facilities, as well as appreciation of the Japanese Yen offset by the financing cost savings arising from the refinancing initiatives completed during the year.

Overall, annualised distribution per unit (DPU) of 3.06 cents for 4Q 2016 has declined by 9.2% or 0.31 cents, mainly due to the absence of one-off distribution of divestment gains, arising from the divestment of seven Japan properties in December 2014, which have been fully distributed to Unitholders over four quarters in FY2015. Excluding the one-off gain, DPU from recurring operations (net of amount retained for capital expenditure) for 4Q 2016 has grown by 2.3% year-on-year.

2016 Vs 2015

Gross revenue for 2016 was S$110.1 million compared with S$102.7 million for 2015, an increase of S$7.4 million or 7.2%. This was mainly due to revenue contribution from the Japan property acquisition in March 2016, higher yielding properties acquired from the asset recycling initiative completed in March 2015, higher rent from the existing properties and appreciation of the Japanese Yen. In addition, Parkway East Hospital's adjusted hospital revenue for the 9th year lease (23 August 2015 – 22 August 2016) has outperformed its minimum guarantee rent, contributing to the increase in revenue from Singapore. As explained earlier, the divestment of four Japan properties in December 2016 did not have significant income impact to the Group.

Correspondingly, property expenses for 2016 were S$7.7 million, an increase of $1.0 million or 14.9% as compared to 2015. Property expenses were higher in 2016 due to a one-off marketing commission paid to the Manager for the renewal of lease as explained earlier, lapse in property tax incentive on two nursing home buildings during the year and absence of related property expenses in Q1 2015 pertaining to the properties divested in 2014. The result was a net property income of S$102.4 million for 2016, which was S$6.4 million higher than 2015.

The Manager's management fees for 2016 were S$11.1 million, an increase of S$0.7 million or 6.7% higher than 2015. This was due to higher deposited property value and higher net property income as explained earlier, fuelled by the appreciation of the Japanese Yen.

Higher professional fees and absence of one-off reversal in 2016 led to the increase in trust expenses.

Finance costs have increased mainly due to the additional financing costs incurred to finance the properties acquired in 1Q 2015 and 1Q 2016, higher amortisation of transaction costs relating to debt facilities that were refinanced, higher hedged costs for the existing SGD loan facilities and appreciation of the Japanese Yen as compared to last year offset by the financing cost savings arising from the refinancing initiatives completed during the year.

During 2016, the Group had registered a realised foreign exchange gain amounting to S$1.0 million from the delivery of Japanese Yen forward contracts. In March 2015, the Group has also recognised a realised foreign exchange gain arising from the capital repatriation for the cash trap in Japan, which unlocked the foreign exchange gains in the foreign currency translation reserve for its earlier Japan acquisitions.

Overall, annualised DPU for 2016 of 12.12 cents has declined by 8.8% or 1.17 cents as compared with 2015's DPU of 13.29 cents, mainly due to the absence of the one-off capital distribution of S$9.1 million being distribution of the gains arising from the divestment of seven Japan properties in December 2014 which have been fully distributed to Unitholders over four quarters in FY2015.

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 prospects of the regional healthcare industry continue to be driven by rising demand for better quality private healthcare services given the fast-ageing populations. However, in the short to medium term, while Parkway Life REIT expects challenges in acquisition opportunities given the market volatility, we remain cautiously optimistic about its prospects.

Parkway Life REIT's enlarged portfolio of 44 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.

In addition, Parkway Life REIT is supported by favourable rental lease structures, where at least 94% of its Singapore and Japan portfolios have downside revenue protection and 64% of the total portfolio is pegged to CPI-linked revision formulae, ensuring steady future rental growth whilst protecting revenue stability amid uncertain market conditions.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: Fourth quarter distribution for the period from 1 October 2016 to 31 December 2016

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.23
Exempt Income	0.37
Capital Distribution	0.46
Total	**3.06**

Par value of units: Not meaningful

Tax rate : **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

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

All other investors 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 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: Fourth quarter distribution for the period from 1 October 2015 to 31 December 2015

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.21
Exempt Income	0.28
Capital Distribution	0.50
Other Gains Distribution	0.38
Total	**3.37**

Par value of units: Not meaningful

Tax Rate: **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

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

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

Other Gains Distribution

Other gains distribution refers to partial distribution from the gain on divestment of seven Japan properties as announced on 26 December 2014. It is not taxable in the hands of all Unitholders.

(c) **Book closure date:** 3 February 2017

(d) **Date payable:** 24 February 2017

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).

PART II – ADDITIONAL INFORMATION FOR FULL YEAR ANNOUNCEMENT

15 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

As at 31 December 2016, the operating segments of the Group comprise the following segments – Hospital Properties, Nursing Homes, Pharmaceutical Product Distributing and Manufacturing Facility and Medical Centre Units.

The Group's operations and its identifiable assets are located in Singapore (consisting of Hospital Properties), Japan (consisting of 39 Nursing Homes and one Pharmaceutical Product Distributing and Manufacturing Facility) and Medical Centre Units in Malaysia. Accordingly, no geographical segmental analysis is separately presented.

	FY 2016 S$'000	FY 2015 S$'000	Change %
Hospital Properties (Singapore) [1]	65,495	64,668	1.3
Nursing Homes (Japan) [2]	41,872	35,445	18.1
Pharmaceutical Product Distributing and Manufacturing Facility (Japan) [3]	2,252	2,030	10.9
Medical Centre Units (Malaysia) [4]	504	551	(8.5)
Total gross revenue	110,123	102,694	7.2

	FY 2016 S$'000	FY 2015 S$'000	Change %
Hospital Properties (Singapore) [1]	62,377	61,550	1.3
Nursing Homes (Japan) [2]	37,805	32,091	17.8
Pharmaceutical Product Distributing and Manufacturing Facility (Japan) [3]	1,869	1,933	(3.3)
Medical Centre Units (Malaysia) [4]	375	423	(11.3)
Total net property income	102,426	95,997	6.7

Footnotes

(1) Higher revenue and net property income was driven by the higher rent under the inflation-linked CPI + 1% rental review mechanism. In addition, Parkway East Hospital's adjusted hospital revenue for the 9th year lease (23 August 2015 – 22 August 2016) has outperformed its minimum guarantee rent, contributing to the increase in revenue from Singapore.

(2) Increase in revenue and net property income was mainly due to full year revenue contribution of the properties acquired in 2015, additional contribution from the asset acquired in March 2016, appreciation of the Japanese Yen offset by the loss of income arising from the four properties disposed on 22 December 2016.

(3) Increase in revenue was mainly due to the appreciation of the Japanese Yen. There was a one-off marketing commission paid to the Manager for the renewal of lease which had expired in December 2016, resulting in a lower net property income.

(4) Lower revenue arose from loss in rent due to existing lease expiry as well as the depreciation of the Malaysia Ringgit. A new lease agreement was put in place with lease commencing in 2017.

16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

Refer to section 8 for the review of actual performance.

17 Breakdown of gross revenue and total return after tax before distribution

	FY 2016 S$'000	FY 2015 S$'000	Change %
Gross revenue reported for first half year	54,286	50,421	7.7
Total return after tax before distribution for first half year	31,799	35,439	(10.3)
Gross revenue reported for second half year	55,837	52,273	6.8
Total return after tax before distribution for second half year	60,130	31,549	90.6

18 Breakdown of the total distribution

In respect of the period:

	FY 2016 S$'000	FY 2015 S$'000
1 October 2014 to 31 December 2014		17,545
1 January 2015 to 31 March 2015		19,420
1 April 2015 to 30 June 2015		20,268
1 July 2015 to 30 September 2015		20,328
1 October 2015 to 31 December 2015	20,389	
1 January 2016 to 31 March 2016	18,089	
1 April 2016 to 30 June 2016	18,211	
1 July 2016 to 30 September 2016	18,513	

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Neither Parkway Trust Management Limited nor Parkway Life REIT and any of its principal subsidiaries have any person occupying a managerial position who is related to a director or chief executive officer or substantial shareholder.

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 January 2017

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.