
MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Fourth Quarter and Full Year Ended 31 December 2018

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Introduction

Manulife US Real Estate Investment Trust (“**Manulife US REIT**” or the “**Group**”) is a Singapore real estate investment trust constituted by the Trust Deed dated 27 March 2015 (as amended and restated) between Manulife US Real Estate Management Pte. Ltd. as the Manager of Manulife US REIT (the “**Manager**”) and DBS Trustee Limited as the Trustee of Manulife US REIT (the “**Trustee**”).

Manulife US REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 20 May 2016 (the “**Listing Date**”). Manulife US REIT’s strategy is to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States of America (“**U.S.**” or “**United States**”), as well as real estate-related assets. Manulife US REIT’s key objectives are to provide unitholders of Manulife US REIT (“**Unitholders**”) with regular and stable distributions and to achieve long-term growth in distribution per unit (“**DPU**”) and net asset value (“**NAV**”) per Unit, while maintaining an appropriate capital structure for Manulife US REIT.

Manulife US REIT was dormant from 27 March 2015 (being the date of its constitution) to the Listing Date.

Manulife US REIT portfolio comprises of the following seven office properties (the “**Properties**”) in the United States, with an aggregate net lettable area of 3,739,292 square feet (“**sq ft**”), as follows:

- Figueroa is a 35-storey Class A office building with 702,861 sq ft of net lettable area (“**NLA**”), located in the South Park district of Downtown Los Angeles, two blocks away from a variety of entertainment venues;
- Michelson is a 19-storey Trophy office building with 532,663 sq ft of NLA, located in Irvine, Orange County, within the Greater Los Angeles market;
- Peachtree is a 27-storey Class A office building with 557,560 sq ft of NLA, located in the heart of Midtown, Atlanta;
- Plaza is an 11-storey Class A office building with 461,525 sq ft of NLA, located in Secaucus, New Jersey;
- Exchange is a 30-storey Class A office building with 732,169 sq ft of NLA, located in Jersey City, Hudson County, New Jersey;
- Penn is a 13-storey Class A office building with 277,315 sq ft of NLA, located in Washington, D.C.; and
- Phipps is a 19-storey Trophy office building with 475,199 sq ft of NLA, located in the heart of Buckhead, Atlanta.

Penn and Phipps were acquired on 22 June 2018 (U.S. Time) (“**Properties acquired in 2018**”) and financed by a combination of preferential offering of 227,935,981 new Units at the issue price of US\$0.865 per new unit raising gross proceeds of approximately US\$197.2 million (the “**Preferential Offering**”) and debt financing. Plaza and Exchange were acquired on 19 July 2017 (U.S. Time) and 31 October 2017 (U.S. time) respectively (“**Properties acquired in 2017**”). The properties acquired in 2017 and 2018 have significantly increased Manulife US REIT’s NLA by approximately 109% since Listing Date, which demonstrated growth, financial strength and scalability of Manulife US REIT and strong support from the sponsor. These acquisitions also provided diversification benefits to the portfolio.

Manulife US REIT is presenting its financial results for the fourth quarter ended 31 December 2018 (“**4Q 2018**”) and for the financial year from 1 January 2018 to 31 December 2018 (“**FY 2018**”).

Distribution Policy

Manulife US REIT intends to make distributions to the Unitholders on a semi-annual basis. Manulife US REIT’s distribution policy is to distribute at least 90% of its annual distributable income. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

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SUMMARY OF MANULIFE US REIT GROUP RESULTS

	4Q 2018 US\$'000	4Q 2017 US\$'000	Change %	FY 2018 US\$'000	FY 2017 US\$'000	Change %
Gross Revenue	40,501	29,264	38.4	144,554	92,040	57.1
Net Property Income ⁽¹⁾	25,491	18,418	38.4	90,665	58,351	55.4
Net Income for the period/year ⁽²⁾	20,509	18,943	8.3	64,520	57,964	11.3
Income available for distribution to Unitholders	19,586	14,641	33.8	70,981	46,716	51.9
Distribution per Unit (“DPU”) (cents)	1.53	1.42	7.7 ⁽³⁾	5.57	5.77	(3.5) ⁽⁴⁾
DPU (Restated for Preferential Offering and Rights Issue)⁽⁵⁾ (cents)	1.53	1.41	8.5	5.57	5.48	1.6
For information only						
Adjusted DPU⁽⁶⁾ (cents)	1.54	1.52	1.3	6.05	5.84	3.6

Footnotes:

- (1) Net property income of US\$25.5 million for 4Q 2018 and US\$90.7 million for FY 2018 was higher than 4Q 2017 and FY 2017 by 38.4% and 55.4%, respectively, largely due to net property income contribution from properties acquired in 2017 and 2018.
- (2) Net income for 4Q 2018 was higher than 4Q 2017 mainly due to higher net property income, partially offset by the higher finance expenses on new loans secured to partially fund properties acquired in 2017 and 2018 and lower property fair value gain, net of tax. Net income for FY 2018 was higher than FY 2017 mainly due to higher net property income, partially offset by the higher finance expenses and lower property fair value gain, net of tax.
- (3) 4Q 2018 DPU was higher than 4Q 2017 DPU largely due to income contribution from the properties acquired in 2018 and full quarter income contribution from Exchange acquired on 31 October 2017.
- (4) FY 2018 DPU was lower than FY 2017 DPU largely due to the drag from the enlarged Unit base from the issuance of Preferential Offering to partially fund Penn and Phipps acquisitions, but income contribution from Penn and Phipps was only from acquisition date on 22 June 2018.
- (5) 4Q 2017 DPU has been restated for the preferential offering of which 227,935,981 Units were issued on 20 June 2018 (“Preferential Offering”) and FY 2017 DPU has been restated for the Preferential Offering and the Rights Issue, through which 299,288,423 Units were issued on 25 October 2017 (“Rights Issue”).
- (6) Adjusted DPU was calculated based on the weighted average number of Units in issue. The adjusted DPU normalises the drag from the enlarged Unit base from the Preferential Offering and Rights Issue.

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1 (a)(i) Consolidated Statement of Comprehensive Income and Distribution Statement

	Note	4Q 2018 US\$'000	4Q 2017 US\$'000	Change %	FY 2018 US\$'000	FY 2017 US\$'000	Change %
<u>Consolidated Statement of Comprehensive Income</u>							
Gross revenue		40,501	29,264	38.4	144,554	92,040	57.1
Property operating expenses		(15,010)	(10,846)	38.4	(53,889)	(33,689)	60.0
Net property income		25,491	18,418	38.4	90,665	58,351	55.4
Interest income		95	4	>100	209	11	>100
Manager's base fee	a	(1,958)	(1,464)	33.7	(7,098)	(4,672)	51.9
Trustee's fee		(63)	(53)	18.9	(235)	(172)	36.6
Other trust expenses	b	(381)	(649)	(41.3)	(2,008)	(1,638)	22.6
Finance expenses	c	(5,894)	(3,215)	83.3	(19,247)	(9,506)	>100
Net income before tax and fair value change in investment properties		17,290	13,041	32.6	62,286	42,374	47.0
Net fair value change in investment properties	d	7,977	12,984	(38.6)	16,885	31,395	(46.2)
Net income for the period/year before tax		25,267	26,025	(2.9)	79,171	73,769	7.3
Tax expense	e	(4,758)	(7,082)	(32.8)	(14,651)	(15,805)	(7.3)
Net income for the period/year		20,509	18,943	8.3	64,520	57,964	11.3
<u>Distribution Statement</u>							
Net income for the period/year		20,509	18,943	8.3	64,520	57,964	11.3
Distribution adjustments	f	(923)	(4,302)	(78.5)	6,461	(11,248)	N.M.
Income available for distribution to Unitholders		19,586	14,641	33.8	70,981	46,716	51.9

N.M.: Not meaningful

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Notes to Consolidated Statement of Comprehensive Income and Distribution Statement

a. Manager's base fees

The base fees for 4Q 2018 will be fully paid in the form of Units. The Manager had also elected to receive its base fees in the form of Units for the period from Listing Date to the end of 3Q 2018.

b. Other trust expenses

Other trust expenses consist of audit, tax compliance and other expenses.

c. Finance expenses

Finance expenses comprise of the following:

	4Q 2018 US\$'000	4Q 2017 US\$'000	Change %	FY 2018 US\$'000	FY 2017 US\$'000	Change %
Interest expense on loans and borrowings	5,555	2,977	86.6	17,880	8,819	>100
Amortisation of upfront debt-related transaction costs ⁽¹⁾	319	206	54.9	1,095	570	92.1
Dividends on preferred units	8	19	(57.9)	16	66	(75.8)
Redemption of preferred units ⁽²⁾	-	-	-	218	-	N.M.
Commitment fees	12	13	(7.7)	38	51	(25.5)
Finance expenses	5,894	3,215	83.3	19,247	9,506	>100

N.M.: Not meaningful

Footnotes:

- (1) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
(2) The preferred units issued by each of Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL Corp., Hancock S-REIT SECA Corp. and Hancock S-REIT JCITY Corp. (collectively, the "U.S. Subs") were redeemed by the U.S. Subs as part of restructuring required to address the effect of new U.S. tax rules.

d. Net fair value change in investment properties

Manulife US REIT obtains independent appraisals on a semi-annual basis and recognises change in fair value gains or losses in income. The fair value gain relates to increases in the appraised fair value of investment properties.

e. Tax expense

Tax expense consists of current tax and deferred tax expenses. Current tax expense comprises mainly of withholding tax and income tax paid or payable.

Deferred tax is recognised in respect of temporary differences between the carrying amounts used, mainly derived for financial reporting purposes, and the amounts used for taxation purposes. Tax expense is mainly related to deferred tax expenses arising from property fair value gains and tax depreciation.

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f. Distribution adjustments

	4Q 2018 US\$'000	4Q 2017 US\$'000	Change %	FY 2018 US\$'000	FY 2017 US\$'000	Change %
Property related non-cash items ⁽¹⁾	(862)	(1,134)	(24.0)	(3,531)	(3,537)	(0.2)
Amortisation of upfront debt-related transaction costs ⁽²⁾	319	206	54.9	1,095	570	92.1
Manager's base fee paid/payable in Units	1,958	1,464	33.7	7,098	4,672	51.9
Property Manager's management fee paid/payable in Units	991	707	40.2	3,531	2,172	62.6
Trustee's fee	63	53	18.9	235	172	36.6
Net fair value change in investment properties	(7,977)	(12,984)	(38.6)	(16,885)	(31,395)	(46.2)
Deferred tax expense	4,575	6,689	(31.6)	13,701	14,812	(7.5)
Redemption of preferred units	-	-	-	218	-	N.M.
Other items ⁽³⁾	10	697 ⁽⁴⁾	(98.6)	999 ⁽⁴⁾	1,286 ⁽⁴⁾	(22.3)
Distribution adjustments	(923)	(4,302)	(78.5)	6,461	(11,248)	N.M.

N.M.: Not meaningful

Footnotes:

- (1) This includes amortisation of tenant improvement allowance, leasing commissions and free rent incentives, and straight line rent adjustments.
- (2) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
- (3) This includes non-tax deductible items and adjustments as well as rent free reimbursements.
- (4) The rent free reimbursements were in relation to the vendors of Plaza and/or Exchange that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisition, the vendor reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

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1 (b)(i) Consolidated Statements of Financial Position

	Note	Group		Trust	
		As at 31 Dec 2018 US\$'000	As at 31 Dec 2017 US\$'000	As at 31 Dec 2018 US\$'000	As at 31 Dec 2017 US\$'000
Current assets					
Cash and cash equivalents		54,093	49,674	4,224	4,953
Prepaid expenses		998	815	8	8
Trade and other receivables		9,074	5,913	25,105	15,995
		64,165	56,402	29,337	20,956
Non-current assets					
Investment properties	a	1,738,700	1,312,800	-	-
Investment in subsidiaries		-	-	921,048	751,259
		1,738,700	1,312,800	921,048	751,259
Total assets		1,802,865	1,369,202	950,385	772,215
Current liabilities					
Trade and other payables		16,826	18,238	802	912
Loans and borrowings	b	109,889	-	-	-
Security deposits		489	127	-	-
Rent received in advance		1,662	867	-	-
		128,866	19,232	802	912
Non-current liabilities					
Loans and borrowings		557,311	458,369	-	-
Security deposits		1,619	1,721	-	-
Preferred units		102	571	-	-
Deferred tax liabilities		50,904	37,203	-	-
		609,936	497,864	-	-
Total liabilities		738,802	517,096	802	912
Net assets attributable to Unitholders		1,064,063	852,106	949,583	771,303
Represented by:					
Unitholders' funds		1,064,063	852,106	949,583	771,303
Net assets attributable to Unitholders		1,064,063	852,106	949,583	771,303

Notes to Consolidated Statements of Financial Position

a. Investment properties

Investment properties are stated at fair value based on 31 December 2018 appraisals conducted by Colliers International Valuation and Advisory Services, LLC. These include Penn and Phipps which were acquired on 22 June 2018 (U.S. Time). Appraisals as at 31 December 2017 were conducted by CBRE, Inc., Colliers International Valuation and Advisory Services, LLC and Cushman & Wakefield of New Jersey, Inc.

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b. Loans and borrowings

The Group is in a net current liabilities position due to the reclassification of long-term borrowings which are maturing in second half of 2019. The Group currently has the option to exercise the 1-year extension under the existing loan arrangements and the ability to issue unsecured senior notes under the US\$1 billion Multicurrency Debt Issuance Programme to refinance the current borrowings. The Group has sufficient financing options to refinance the portion of borrowings that are maturing within the next 12 months.

1 (b)(ii) Aggregate amount of loans and borrowings, and debt securities for Manulife US REIT Group

	Group	
	As at 31 Dec 2018	As at 31 Dec 2017
	US\$'000	US\$'000
<u>Secured loans and borrowings</u>		
Amount repayable in one year or less ⁽¹⁾	110,000	-
Amount repayable after one year ⁽²⁾	560,800	461,900
	670,800	461,900
Less: Unamortised upfront debt-related transaction costs ⁽³⁾	(3,600)	(3,531)
Total secured loans and borrowings	667,200	458,369

Footnotes:

- (1) US\$110.0 million comprises of initial loan of US\$108.0 million and US\$2.0 million of good news facilities drawn to fund capital expenditure and leasing costs. This mortgage loan is maturing in the second half of 2019.
- (2) Includes US\$553.6 million (2017: US\$461.1 million) of initial funding and US\$7.2 million (2017: US\$0.8 million) of good news facilities drawn to fund capital expenditure and leasing costs.
- (3) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.

Details of loans and borrowings, and collaterals

1. Property Financing

As of 31 December 2018, Manulife US REIT has loan facilities of US\$747.4 million consisting of an initial funding of US\$661.6 million as well as good news facilities of up to US\$85.8 million ("Mortgage Facilities"). The total drawn Mortgage Facilities is US\$670.8 million, comprising of US\$661.6 million initial funding and US\$9.2 million good news facilities. As at 31 December 2018, there are US\$76.6 million of undrawn good news facilities.

The Mortgage Facilities are secured by, amongst other collateral: (i) a first mortgage on each Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn and Phipps respectively (each, the "Property"); (ii) an assignment each of the U.S. Sub's rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and (iii) an assignment of each of the U.S. Sub's rights to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the relevant Properties.

2. Revolving Credit Facilities

As at 31 December 2018, Manulife US REIT has a US\$10.0 million revolving credit facility with DBS Bank Ltd. ("US\$10.0 million Revolving Credit Facility") and a separate 1-year uncommitted US\$200.0 million revolving credit facility with DBS Bank Ltd. ("US\$200.0 million Revolving Credit Facility", together with the US\$10.0 million Revolving Credit Facility, the "Revolving Credit Facilities"). The facility amount of the US\$200.0 million Revolving Credit Facility had been increased from US\$120.0 million to US\$200.0 million.

There are no amounts outstanding on the Revolving Credit Facilities as at 31 December 2018.

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Both the Revolving Credit Facilities are secured by: (i) the shares of Manulife US REIT's wholly owned subsidiaries, Manulife US REIT Alpha (Singapore) Pte. Ltd. ("Alpha") and Manulife US REIT Beta (Singapore) Pte. Ltd. ("Beta"); (ii) an assignment of all inter-company loans from the Trustee to any other subsidiaries of Manulife US REIT; and (iii) an assignment of certain bank accounts by the Trustee.

In addition:

- (i) the US\$10.0 million Revolving Credit Facility is secured by an assignment of all inter-company loans from Beta and MUSREIT (Barbados) 1 LP ("Barbados LP1") to any other subsidiaries of Manulife US REIT; and
- (ii) the US\$200.0 million Revolving Credit Facility is secured by the shares of Manulife US REIT's wholly owned subsidiary, Manulife US REIT Beta 2 (Singapore) Pte. Ltd. ("Beta 2"), Manulife US REIT Beta 3 (Singapore) Pte. Ltd. ("Beta 3") and all other direct subsidiaries wholly owned by Manulife US REIT from time to time, and an assignment of all inter-company loans from Beta 2, Beta 3, Barbados LP1, MUSREIT (Barbados) 2 LP, MUSREIT (Barbados) 3 LP and any future loan subsidiaries to any other subsidiaries of Manulife US REIT.

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1 (c) Consolidated Statement of Cash Flows

Note	Group			
	4Q 2018 US\$'000	4Q 2017 US\$'000	FY 2018 US\$'000	FY 2017 US\$'000
Cash flows from operating activities				
Net income for the period/year before tax	25,267	26,025	79,171	73,769
Adjustments for:				
Amortisation	(862)	(1,134)	(3,531)	(3,537)
Interest income	(95)	(4)	(209)	(11)
Finance expenses	5,894	3,215	19,247	9,506
Manager's base fee paid/payable in Units	1,958	1,464	7,098	4,672
Property Manager's management fee paid/payable in Units	991	707	3,531	2,172
Net fair value change in investment properties	(7,977)	(12,984)	(16,885)	(31,395)
Unrealised transaction (gains)/losses effect of foreign exchange	(13)	(6)	26	(110)
Operating income before working capital changes	25,163	17,283	88,448	55,066
Changes in working capital:				
Trade and other receivables	(1,923)	(2,898)	(3,161)	(3,606)
Prepaid expenses	819	131	(183)	(131)
Trade and other payables	(8,715)	(1,690)	(5,998)	861
Security deposits	157	89	260	186
Rent received in advance	(870)	(169)	795	801
Cash from operating activities	14,631	12,746	80,161	53,177
Tax paid	(80)	(393)	(260)	(993)
Interest paid	(5,449)	(3,248)	(17,274)	(8,432)
Net cash from operating activities	9,102	9,105	62,627	43,752
Cash flows from investing activities				
Acquisition of investment properties and related assets and liabilities	3,274	(316,458)	(388,527)	(425,003)
Payment for capital expenditure and other costs related to investment properties	(4,478)	(4,320)	(10,806)	(9,294)
Interest received	95	4	209	11
Net cash used in investing activities	(1,109)	(320,774)	(399,124)	(434,286)
Cash flows from financing activities				
Proceeds from issuance of preferred units	-	164	-	164
Redemption of preferred units	a	-	(687)	-
Proceeds from issuance of Units	b	208,005	197,165	288,517
Payment of transaction costs relating to issuance of Units	b	(6,163)	(4,566)	(8,094)
Proceeds from loans and borrowings	c	8,400	208,900	205,900
Repayment of loans and borrowings		-	-	(40,000)
Payment of transaction costs relating to loans and borrowings		(1,726)	(1,195)	(2,288)
Distributions to Unitholders		-	(58,694)	(42,493)
Net cash from financing activities	8,400	326,180	340,923	401,706
Net increase in cash and cash equivalents	16,393	14,511	4,426	11,172
Cash and cash equivalents at beginning of the period/year	37,704	35,198	49,674	38,433
Effect of exchange rate fluctuations on cash held in foreign currency	(4)	(35)	(7)	69
Cash and cash equivalents at the end of the period/year	54,093	49,674	54,093	49,674

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Notes to Consolidated Statement of Cash Flows

- a. The preferred units issued by each of Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL Corp., Hancock S-REIT SECA Corp. and Hancock S-REIT JCITY Corp. (collectively, the “U.S. Subs”) were redeemed by the U.S. Subs in 1Q 2018 as part of restructuring required to address the effect of new U.S. tax rules.
- b. On 20 June 2018, an aggregate of 227,935,981 Units were issued at US\$0.865 per Unit and amounted to US\$197.2 million from Preferential Offering. The use of proceeds raised from the Preferential Offering is in accordance with the stated uses as disclosed in the announcement made on 16 May 2018, and is set out below:

	Intended use of proceeds US\$ million	Actual use of proceeds US\$ million	Balance of proceeds US\$ million
To partially fund the acquisitions of Penn and Phipps	191.1	192.3	(1.2)
To pay the estimated fees and expenses, including professional fees and expenses, incurred or to be incurred by Manulife US REIT in connection with the Preferential Offering	6.1	4.9	1.2
Total	197.2	197.2	-

Please refer to the announcement made on 25 June 2018 on completion of acquisitions of Penn and Phipps and Preferential Offering use of proceeds.

- c. Proceeds from Mortgage Facilities used to partially fund the acquisitions of Penn and Phipps and good news facilities drawn to fund capital expenditure and leasing costs.

1 (d)(i) Consolidated Statements of Changes in Unitholders’ Funds

Group	4Q 2018			4Q 2017		
	Units in issue and to be issued US\$’000	Retained earnings US\$’000	Total US\$’000	Units in issue and to be issued US\$’000	Retained earnings US\$’000	Total US\$’000
At beginning of the period	939,321	101,284	1,040,605	558,628	68,159	626,787
Operations						
Net income for the period	-	20,509	20,509	-	18,943	18,943
Net increase in net assets resulting from operations	-	20,509	20,509	-	18,943	18,943
Unitholders’ transactions						
New Units issued ⁽¹⁾	-	-	-	208,005	-	208,005
Issuance costs ⁽²⁾	-	-	-	(6,163)	-	(6,163)
Manager’s acquisition fee paid in Units ⁽³⁾	-	-	-	2,363	-	2,363
Manager’s base fee paid/payable in Units	1,958	-	1,958	1,464	-	1,464
Property Manager’s management fees paid/payable in Units	991	-	991	707	-	707
Net increase in net assets resulting from Unitholders’ transactions	2,949	-	2,949	206,376	-	206,376
At end of the period	942,270	121,793	1,064,063	765,004	87,102	852,106

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1 (d)(i) Consolidated Statements of Changes in Unitholders' Funds

	4Q 2018			4Q 2017		
	Units in issue and to be issued US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000	Units in issue and to be issued US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Trust						
At beginning of the period	939,321	(13,471)	925,850	558,628	(5,957)	552,671
Operations						
Net income for the period	-	20,784	20,784	-	12,256	12,256
Net increase in net assets resulting from operations	-	20,784	20,784	-	12,256	12,256
Unitholders' transactions						
New Units issued ⁽¹⁾	-	-	-	208,005	-	208,005
Issuance costs ⁽²⁾	-	-	-	(6,163)	-	(6,163)
Manager's acquisition fee paid in Units ⁽³⁾	-	-	-	2,363	-	2,363
Manager's base fee paid/payable in Units	1,958	-	1,958	1,464	-	1,464
Property Manager's management fees paid/payable in Units	991	-	991	707	-	707
Net increase in net assets resulting from Unitholders' transactions	2,949	-	2,949	206,376	-	206,376
At end of the period	942,270	7,313	949,583	765,004	6,299	771,303

Footnotes:

- (1) For 4Q 2017, 299,288,423 Units were issued on 25 October 2017 from the Rights Issue.
- (2) The issuance costs were for the underwriting fees and professional fees incurred as a result of the Rights Issue exercise which was completed on 25 October 2017.
- (3) For 4Q 2017, 2,609,700 new Units were issued as full payment of acquisition fee to the Manager in respect of the acquisition of Exchange from John Hancock Life Insurance Company (U.S.A.) ("JHUSA"), an indirect, wholly-owned subsidiary of The Manufacturers Life Insurance Company ("Sponsor"). The acquisition fee is based on 0.75% of the acquisition price of Exchange as the acquisition constituted as an interested person transaction.

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Group	FY 2018			FY 2017		
	Units in issue and to be issued	Retained earnings	Total	Units in issue and to be issued	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of the year	765,004	87,102	852,106	495,331	51,674	547,005
Operations						
Net income for the year	-	64,520	64,520	-	57,964	57,964
Net increase in net assets resulting from operations	-	64,520	64,520	-	57,964	57,964
Unitholders' transactions						
New Units issued ⁽¹⁾	197,165	-	197,165	288,517	-	288,517
Issuance costs ⁽²⁾	(4,566)	-	(4,566)	(8,094)	-	(8,094)
Manager's acquisition fee paid in Units ⁽³⁾	2,903	-	2,903	2,363	-	2,363
Manager's base fee paid/payable in Units	7,098	-	7,098	4,672	-	4,672
Property Manager's management fees paid/payable in Units	3,531	-	3,531	2,172	-	2,172
Distributions ⁽⁴⁾	(28,865)	(29,829)	(58,694)	(19,957)	(22,536)	(42,493)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	177,266	(29,829)	147,437	269,673	(22,536)	247,137
At end of the year	942,270	121,793	1,064,063	765,004	87,102	852,106

Trust	FY 2018			FY 2017		
	Units in issue and to be issued	Retained earnings	Total	Units in issue and to be issued	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of the year	765,004	6,299	771,303	495,331	9,603	504,934
Operations						
Net income for the year	-	30,843	30,843	-	19,232	19,232
Net increase in net assets resulting from operations	-	30,843	30,843	-	19,232	19,232
Unitholders' transactions						
New Units issued ⁽¹⁾	197,165	-	197,165	288,517	-	288,517
Issuance costs ⁽²⁾	(4,566)	-	(4,566)	(8,094)	-	(8,094)
Manager's acquisition fee paid in Units ⁽³⁾	2,903	-	2,903	2,363	-	2,363
Manager's base fee paid/payable in Units	7,098	-	7,098	4,672	-	4,672
Property Manager's management fees paid/payable in Units	3,531	-	3,531	2,172	-	2,172
Distributions ⁽⁴⁾	(28,865)	(29,829)	(58,694)	(19,957)	(22,536)	(42,493)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	177,266	(29,829)	147,437	269,673	(22,536)	247,137
At end of the year	942,270	7,313	949,583	765,004	6,299	771,303

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Footnotes:

- (1) For FY 2018, 227,935,981 Units were issued on 20 June 2018 from the Preferential Offering. For FY 2017, 299,288,423 Units were issued on 25 October 2017 from the Rights Issue and 97,003,000 Units were issued on 29 June 2017 from the Private Placement.
- (2) The issuance costs were for the underwriting fees and professional fees incurred as a result of the Preferential Offering, the Rights Issue and the Private Placement exercises which were completed on 20 June 2018, 25 October 2017 and 29 June 2017, respectively.
- (3) For FY 2018, 3,341,968 new Units were issued as full payment of acquisition fee to the Manager in respect of the acquisitions of Penn and Phipps from JHUSA. For FY 2017, 2,609,700 new Units were issued as full payment of acquisition fee to the Manager in respect of the acquisition of Exchange from JHUSA. The acquisition fee is based on 0.75% of the acquisition price as the acquisitions constituted as an interested person transaction.
- (4) For FY 2018, the amount comprises of distribution paid to Unitholders for the period 29 June 2017 to 30 June 2018. For FY 2017, the amount comprises of distribution paid to Unitholders for the period 20 May 2016 to 28 June 2017.

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

	4Q 2018 Units	4Q 2017 Units	FY 2018 Units	FY 2017 Units
Units in issue:				
At beginning of the period/year	1,272,689,270	729,971,765	1,033,722,152	627,862,659
Manager's acquisition fee paid in Units ⁽¹⁾	-	2,609,700	3,341,968	2,609,700
Manager's base fee paid in Units	2,405,314	1,260,880	7,587,718	4,781,742
Property Manager's management fees paid in Units	1,229,840	591,384	3,736,605	2,176,628
Preferential Offering Units ⁽²⁾	-	-	227,935,981	-
Rights Issue Units ⁽²⁾	-	299,288,423	-	299,288,423
Private Placement Units ⁽²⁾	-	-	-	97,003,000
Total issued Units as at end of the period/year	1,276,324,424	1,033,722,152	1,276,324,424	1,033,722,152
Units to be issued:				
Manager's base fee payable in Units ⁽³⁾	2,603,759	1,585,034	2,603,759	1,585,034
Property Manager's management fees payable in Units ⁽³⁾	1,316,764	765,458	1,316,764	765,458
Total issuable Units as at end of the period/year	3,920,523	2,350,492	3,920,523	2,350,492
Total Units issued and to be issued as at end of the period/year	1,280,244,947	1,036,072,644	1,280,244,947	1,036,072,644

Footnotes:

- (1) New Units issued to the Manager as payment for acquisition fee in respect of the acquisitions of Penn and Phipps in FY 2018 and Exchange in FY 2017.
- (2) Relates to the Preferential Offering, the Rights Issue and the Private Placement Units issued on 20 June 2018, 25 October 2017 and 29 June 2017 respectively.
- (3) There are 3,920,523 Units to be issued in satisfaction of the Manager's management fee and Property Manager's management fee for the 4Q 2018 based on the volume weighted average price for the last 10 Business Days immediately preceding 31 December 2018 of US\$0.7522. Actual Units from payment of property management fees may be different as it will be based on the higher of (i) volume weighted average price for last 10 Business Days immediately preceding 31 December 2018 or (ii) the closing price on the day of issuance of Units in payment of property management fees.

1 (d)(iii) To show the total number of issued units excluding treasury units at the end of the current financial period, and as at the end of the immediately preceding year

Manulife US REIT did not hold any treasury units as at 31 December 2018 and 31 December 2017. The total number of issued Units in Manulife US REIT as at 31 December 2018 and 31 December 2017 were 1,276,324,424 and 1,033,722,152, respectively.

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1 (d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury units as at the end of the current financial period reported on

Not applicable.

1 (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which standard (e.g. the Singapore Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, or an equivalent standard)

The figures have not been audited or reviewed by the 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 financial statements have been applied

The Group has applied the same accounting policies and methods of computation consistent with those used in the audited financial statements for the financial year ended 31 December 2017 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised International Financial Reporting Standards (“IFRS”) (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 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 the revised IFRS and interpretations that are effective for application from 1 January 2018. The adoption of these revised IFRS and interpretations did not result in material changes to the Group’s accounting policies and has no material effect on the amounts reported for the current financial period.

6. Earnings per Unit (“EPU”) and Distribution per Unit (“DPU”)

	4Q 2018	4Q 2017	FY 2018	FY 2017
EPU⁽¹⁾				
Weighted average number of Units in issue and issuable	1,274,035,798	962,874,692 ⁽³⁾	1,172,307,551	800,367,014 ⁽³⁾
Basic and diluted EPU (cents) ⁽²⁾	1.61	1.97 ⁽³⁾	5.50	7.24 ⁽³⁾
DPU⁽⁴⁾				
Number of Units in issue at end of the period/year	1,276,324,424	1,033,722,152	1,276,324,424	1,033,722,152
DPU (cents)	1.53	1.42	5.57	5.77
DPU (cents) (Restated for Preferential Offering and Rights Issue)	1.53	1.41 ⁽³⁾	5.57	5.48 ⁽³⁾

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Footnotes:

- (1) The computation of basic EPU is based on the weighted number of Units for the respective reporting periods. This comprises of:
 - (i) The weighted average number of Units in issue includes the Preferential Offering, Rights Issue and Private Placement Units for the respective reporting periods; and
 - (ii) The estimated weighted average number of Units issuable as payment of Manager's base fees and Property manager's management fees for the respective reporting periods.
- (2) The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue at the end of the respective reporting periods.
- (3) 4Q 2017 figures have been restated for the Preferential Offering, through which 227,935,981 Units were issued on 20 June 2018. FY 2017 figures have been restated for the Preferential Offering and the Rights Issue, through which 299,288,423 Units were issued on 25 October 2017.
- (4) The computation of DPU is based on number of Units in issue as at end of the respective reporting periods.

7. Net Asset Value ("NAV") per Unit and Net Tangible Asset ("NTA") per Unit

	Group		Trust	
	As at 31 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2018	As at 31 Dec 2017
Number of Units in issue and to be issued at end of the year	1,280,244,947	1,036,072,644	1,280,244,947	1,036,072,644
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.83	0.82	0.74	0.74
Adjusted NAV and NTA per Unit (excluding Distributable Income) (US\$)	0.80	0.80	0.71	0.72

Footnote:

- (1) NAV and NTA is the same as there is no intangible asset as at 31 December 2018 and 31 December 2017.

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8. Review of the Performance

Consolidated Statement of Comprehensive Income and Distribution Statement

	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<u>Consolidated Statement of Comprehensive Income</u>						
Gross revenue	40,501	29,264	38.4	144,554	92,040	57.1
Property operating expenses	(15,010)	(10,846)	38.4	(53,889)	(33,689)	60.0
Net property income	25,491	18,418	38.4	90,665	58,351	55.4
Interest income	95	4	>100	209	11	>100
Manager's base fee	(1,958)	(1,464)	33.7	(7,098)	(4,672)	51.9
Trustee's fee	(63)	(53)	18.9	(235)	(172)	36.6
Other trust expenses	(381)	(649)	(41.3)	(2,008)	(1,638)	22.6
Finance expenses	(5,894)	(3,215)	83.3	(19,247)	(9,506)	>100
Net income before tax and fair value change in investment properties	17,290	13,041	32.6	62,286	42,374	47.0
Net fair value change in investment properties	7,977	12,984	(38.6)	16,885	31,395	(46.2)
Net income for the period/year before tax	25,267	26,025	(2.9)	79,171	73,769	7.3
Tax expense	(4,758)	(7,082)	(32.8)	(14,651)	(15,805)	(7.3)
Net income for the period/year	20,509	18,943	8.3	64,520	57,964	11.3
<u>Distribution Statement</u>						
Net income for the period/year	20,509	18,943	8.3	64,520	57,964	11.3
Distribution adjustments	(923)	(4,302)	(78.5)	6,461	(11,248)	N.M.
Income available for distribution to Unitholders	19,586	14,641	33.8	70,981	46,716	51.9

N.M.: Not meaningful

4Q 2018 vs 4Q 2017

Gross revenue of US\$40.5 million was 38.4% higher than 4Q 2017 largely due to revenue contribution from properties acquired in 2017 and 2018.

Property operating expenses of US\$15.0 million also increased by 38.4% mainly due to incremental property expenses from properties acquired in 2017 and 2018.

Accordingly, net property income of US\$25.5 million was 38.4% higher than 4Q 2017.

Finance expenses of US\$5.9 million increased due to interest expense incurred on borrowings used to partially fund the properties acquired in 2017 and 2018.

Net fair value gain in investment properties of US\$8.0 million arose from the appraised fair value gains across majority of the properties.

The tax expense was lower than 4Q 2017 largely due to lower deferred tax expense resulting from lower fair value gain for the period.

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Net income of US\$20.5 million was higher than 4Q 2017 largely due to higher net property income, partially offset by higher finance expenses and lower net fair value gain, net of tax.

Distributable income of US\$19.6 million was 33.8% higher than 4Q 2017 largely due to higher net property income, partially offset by higher finance expenses.

FY 2018 vs FY 2017

Gross revenue of US\$144.6 million was 57.1% higher than FY 2017 largely due to revenue contribution from properties acquired in 2017 and 2018.

Property operating expenses of US\$53.9 million also increased by 60.0% mainly due to incremental property expenses from properties acquired in 2017 and 2018.

Accordingly, net property income of US\$90.7 million was 55.4% higher than FY 2017.

Finance expenses of US\$19.2 million increased due to incremental borrowings used to partially fund properties acquired in 2017 and 2018.

Net fair value gain in investment properties of US\$16.9 million were due to appraisal gains recognised from all properties.

The tax expense was lower than FY 2017 largely due to lower deferred tax expense resulting from the lower fair value gain.

Net income of US\$64.5 million was higher than FY 2017 largely due to higher net property income, partially offset by higher finance expenses and lower net fair value gain, net of tax.

Distributable income of US\$71.0 million was 51.9% higher than FY 2017 largely due to higher net property income, partially offset by higher finance expenses.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

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

Market Outlook

On 21 December 2018, the U.S. reported an annualised real GDP growth rate of 3.4% for the third quarter of 2018. Strength in consumer spending and improvements in business investments are expected to help the American economy achieve growth close to 3% in 2018, the fastest rate among all developed countries. The U.S. unemployment rate increased 0.2% from the previous quarter to 3.9% in December 2018. The U.S. economy generated 312,000 non-farm jobs in December 2018, primarily in health care, food services, construction, manufacturing and retail trade. During the fourth quarter of 2018, over 760,000 jobs were created.

While domestic demand remains on a healthy footing, continued trade tensions between the US, China, and possibly Europe, broader geopolitical uncertainties, and a slowing global economy could all weigh on growth.

The Federal Reserve (Fed) increased the rate by 25 bps in December 2018, marking the fourth increase in 2018. Rates are expected to rise twice in 2019, and that rate normalisation would continue subject to sustained expansion of the U.S. economy, strong labour markets and target inflation levels. Given that the Federal Reserve's dual mandates of full employment and price stability are currently being met, the Central bank has signaled its intent to be patient.

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Office absorption during the fourth quarter of 2018 more than doubled from the previous quarter, with JLL (JLL United States Office Outlook Q4 2018) reporting absorption of 19.8 million square feet in the period, despite skilled talent shortages and rightsizing. The nation's vacancy rate decreased slightly to 14.9% at the quarter ended 31 December 2018. Leasing activity continues to be broad based across the industry sectors with several very large leases occurring in the quarter. Rents increased nearly 3% over the last twelve months, however concession packages continue to increase due to greater competition between landlords.

With a committed occupancy of 96.7% and a weighted average lease expiry of 5.8 years by net lettable area as at 31 December 2018, the portfolio is well positioned. In addition, a major tenant in Michelson (representing 2.7% of the portfolio net lettable area) renewed its lease in January 2019. The Manager continues to be focused on asset, lease and capital management, in addition to its commitment to sustaining and enhancing environmental, social and governance (ESG) initiatives, and will be selectively seeking investment opportunities that deliver long term value to Unitholders.

Tax

On 20 December 2018, the United States Department of the Treasury released proposed regulations (the "**Proposed 267A Regulations**") under Section 267A of the United States Internal Revenue Code of 1986, as amended ("**Section 267A**"). Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the "**Proposed Barbados Tax Changes**").

The Proposed 267A Regulations together with the Proposed Barbados Tax Changes are not expected to necessitate any further changes to Manulife US REIT's structure (including Barbados entities set-up on 1 January 2018) at this point in time in order to preserve the deductibility of interest paid on Manulife US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Proposed Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

Manulife US REIT cautions that the Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective for our 2018 taxable year, could differ materially from the Proposed 267A Regulations and could result in additional costs. The United States Department of the Treasury has stated that it expects final regulations under Section 267A to be promulgated by 22 June 2019. Further, additional guidance or negative application of relevant tax laws related to Section 267A could have a material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

The Manager will update unitholders of Manulife US REIT if there is any material impact on Manulife US REIT and/or its unitholders arising from the issuance of final regulations, additional guidance, or other application of tax laws in the tax jurisdictions that Manulife US REIT operates.

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11. Distribution

(a) Current financial period

Any distribution declared for the current period?

Yes – US 3.04 cents per Unit for the period from 1 July 2018 to 31 December 2018

Distribution period	Distribution for the period from 1 July 2018 to 31 December 2018
Distribution type/rate	Distribution of US 3.04 cents per Unit comprising of two components: 1. Tax-exempt income: US 1.77 cents 2. Capital: US 1.27 cents (being 100% of Manulife US REIT's Distributable Income for the period)
Tax rate	Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.

Unitholders who have not submitted the required U.S. tax forms completely and accurately will be subject to 30% withholding taxes on the Distribution. The U.S. tax forms are required to be reviewed and validated by the appointed processing agent by Monday, 11 March 2019 date. To ensure the forms can be validated by 11 March 2019, Unitholders are reminded to submit the completed tax forms to Manulife US REIT's Unit Registrar – Boardroom Corporate & Advisory Services Pte Ltd no less than seven (7) calendar days before the validation deadline of 11 March 2019.

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(b) Corresponding period of the immediately preceding financial period

Any distribution declared for the corresponding period of the immediately preceding financial year? Yes – US 2.57 cents per Unit for the period from 29 June 2017 to 31 December 2017

Distribution period	Distribution for the period from 29 June 2017 to 31 December 2017
Distribution type/rate	Distribution of US 2.57 cents per Unit comprising of two components: 1. Tax-exempt income: US 1.35 cents 2. Capital: US 1.22 cents (being 100% of Manulife US REIT’s Distributable Income for the period)
Tax rate	Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.

(c) Date payable 29 March 2019

(d) Book closure date 19 February 2019

12. If no distribution has been declared/(recommended), a statement to that effect and the reason(s) for the decision

Not applicable.

13. If the Group has obtained general mandate from unit holders for Interested Person Transactions (“IPT”), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Group has not obtained a general mandate from Unitholders for interested person transactions.

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

The Manager confirms that it has procured undertakings from all its Directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

15. Segment Revenue and Results for operating segments (of the group) in the form presented in the issuer’s most recently audited financial statements, with comparative information for the immediately preceding year

Not applicable. The Group operates within a single business segment and within a single geographical segment in the U.S.

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16. In the review of the performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Refer to paragraph 8 above for the review of actual performance.

17. Breakdown of Revenue

	FY 2018 US\$'000	FY 2017 US\$'000	Change %
Gross revenue reported for the first half year	63,674	39,739	60.2
Net income reported for the first half year	30,541	29,750	2.7
Gross revenue reported for the second half year	80,880	52,301	54.6
Net income reported for the second half year	33,979	28,214	20.4

18. Breakdown of Total Distributions

	FY 2018 US\$'000	FY 2017 US\$'000
1 July 2018 to 31 December 2018 ⁽¹⁾	38,800	-
1 January 2018 to 30 June 2018 (paid)	32,127	-
29 June 2017 to 31 December 2017 (paid)	-	26,567
1 January 2017 to 28 June 2017 (paid)	-	20,204

Footnote:

(1) To be paid in FY 2019 and is computed based on US 3.04 cents multiplied by the actual number of Units as at 31 December 2018.

19. Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, Manulife US Real Estate Management Pte. Ltd. (as manager of Manulife US REIT) (the "Manager") confirms that there is no person occupying a managerial position in the Manager who is a relative of a Director, Chief Executive Officer, substantial shareholder of the Manager or substantial unitholder of Manulife US REIT.

On behalf of the Board
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)

Hsieh Tsun Yan
Director

Ho Chew Thim
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 from similar developments, shifts in expected levels of office rental revenue, 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.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

The value of units in Manulife US REIT (“Units”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Manulife US REIT) or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (“Unitholders”) have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders 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 Manulife US REIT is not necessarily indicative of the future performance of Manulife US REIT.

By Order of the Board

Victor Lai Kuan Loong
Company Secretary
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)
11 February 2019