Manulife US REIT

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2024

TABLE OF CONTENTS

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 portfolio comprises of the following 10 office properties (the "**Properties**") in the United States, with an aggregate net lettable area of 5.1 million square feet ("**sq ft**"), as follows:

- Figueroa (acquired on Listing Date) is a 35-storey Class A office building, located in the South Park district of Downtown Los Angeles, two blocks away from a variety of entertainment venues;
- Michelson (acquired on Listing Date) is a 19-storey Trophy office building, located in Irvine, Orange County, within the Greater Los Angeles market;
- Peachtree (acquired on Listing Date) is a 27-storey Class A office building, located in the heart of Midtown, Atlanta;
- Plaza (acquired on 19 July 2017) is an 11-storey Class A office building, located in Secaucus, New Jersey;
- Exchange (acquired on 31 October 2017) is a 30-storey Class A office building, located in Jersey City, Hudson County, New Jersey;
- Penn (acquired on 22 June 2018) is a 13-storey Class A office building, located in Washington, D.C.;
- Phipps (acquired on 22 June 2018) is a 19-storey Trophy office building, located in the heart of Buckhead, Atlanta;
- Centerpointe (acquired on 10 May 2019) is a 2-tower, 11-storey Class A office building, located in Fairfax, Virginia;
- Capitol (acquired on 29 October 2019) is a 29-storey top Class A office building, located in Sacramento, California; and
- Diablo (acquired on 20 December 2021) is a 5-building office campus, located in Tempe, Arizona.

Manulife US REIT is presenting its financial results for the financial period from 1 January 2024 to 30 June 2024 ("**1H 2024**").

Distribution Policy

Manulife US REIT makes 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 as set out in the Trust Deed. This distribution policy is also subject to the conditions as stipulated in Appendix 6 to the Code on Collective Investment Schemes ("Property Fund Appendix"), in that, if Manulife US REIT were to declare a distribution in excess of profits, the Manager should be able to certify, in consultation with the Trustee, that it is able to satisfy on reasonable grounds that, immediately after making the distribution, Manulife US REIT will be able to fulfil, from the deposited property of the property fund, the liabilities of Manulife US REIT as they fall due.

However, pursuant to the recapitalisation plan set out in the circular to Unitholders dated 29 November 2023 (the "Recapitalisation Plan") and the entry into the master restructuring agreement (the "Master Restructuring Agreement"), Manulife US REIT has halted distributions to Unitholders till 31 December 2025, unless the early reinstatement conditions, being (i) consolidated total liabilities to consolidated total deposited properties being no more than 45%; or (ii) consolidated total liabilities to consolidated total deposited properties being more than 45% but not more than 50% and the interest coverage ratio is more than 2.5 times, and there are no potential events of default continuing for at least one financial quarter (the "Early Reinstatement Conditions"), are achieved earlier.

SUMMARY OF RESULTS

	1H 2024 US$'000	1H 2023 US$'000	Change %
Gross Revenue[(1)]	86,740	99,568	(12.9)
Net Property Income[(2)]	42,799	55,361	(22.7)
Net Income/(Loss) for the period[(3)]	15,854	(247,636)	N.M.
Income Available for Distribution to Unitholders[(4)(5)]	22,853	37,948	(39.8)
Adjusted Income Available for Distribution to Unitholders[(6)]	22,853	31,647	(27.8)
Adjusted Income Available for Distribution to Unitholders per Unit[(7)]	1.29	1.78	(27.5)

N.M.: Not meaningful

Footnotes:

(1) Gross revenue of US$86.7 million for 1H 2024 was lower by 12.9%, mainly due to the divestment of Tanasbourne and Park Place in April 2023 and December 2023 respectively, lower rental and recoveries income as a result of higher portfolio vacancy rate.

(2) Net property income of US$42.8 million for 1H 2024 was lower by 22.7%, mainly due to lower gross revenue and higher property expenses for same-store properties, including insurance and non-cash amortisation of leasing commission in 1H 2024.

(3) Net income for 1H 2024 was US$15.9 million compared to the net loss of US$247.6 million for 1H 2023. This is primarily due to the absence of a net fair value loss on investment properties recognised as a result of the 1H 2023 appraisals, a one-off loss on disposal arising from the divestment of Tanasbourne in April 2023, higher interest income and lower Manager's base fees, partially offset by higher net fair value loss on derivatives, and higher finance costs in 1H 2024.

(4) Income available for distribution to Unitholders for 1H 2024 was lower by 39.8% mainly due to lower net property income, higher finance expenses, as well as the Manager's base and property management fees payable in cash instead of Units for 1H 2024 partially offset by higher interest income.

(5) Pursuant to the Recapitalisation Plan and the entry into the Master Restructuring Agreement, Manulife US REIT has halted distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

(6) To provide a like-for-like comparison, income available for distribution to Unitholders for 1H 2023 has been adjusted to reflect Manager's base fee of US$3.8 million and property management fee of US$2.5 million being payable in cash instead of Units.

(7) Adjusted income available for distribution to Unitholders per Unit, computed based on adjusted income available for Distribution to Unitholders divided by the total number of Units in issue.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Trust	
	Note	30 June 2024 US$'000	31 December 2023 US$'000	30 June 2024 US$'000	31 December 2023 US$'000
Current assets					
Cash and cash equivalents[a]		94,613	127,145	26,883	96,513
Prepayments[b]		633	2,133	118	165
Trade and other receivables[c]		5,084	13,926	22,942	279
Financial derivatives[d]		3,815	2,584	3,815	2,584
		104,145	145,788	53,758	99,541
Non-current assets					
Investment properties	5	1,426,995	1,411,800	-	-
Investment in subsidiaries[e]		-	-	1,410,170	1,410,170
Financial derivatives[d]		24,323	30,682	24,323	30,682
		1,451,318	1,442,482	1,434,493	1,440,852
Total assets		**1,555,463**	**1,588,270**	**1,488,251**	**1,540,393**
Current liabilities					
Trade and other payables[f]		39,369	38,222	14,176	11,742
Loans and borrowings	6	101,959	49,880	101,959	49,880
Security deposits		916	819	-	-
Rent received in advance		7,142	9,912	-	-
		149,386	98,833	116,135	61,622
Non-current liabilities					
Trade and other payables[f]		4,295	4,728	-	-
Loans and borrowings	6	771,206	870,443	771,206	870,443
Security deposits		3,711	3,950	-	-
Preferred units	7	904	904	-	-
Deferred tax liabilities		1,472	777	-	-
		781,588	880,802	771,206	870,443
Total liabilities		**930,974**	**979,635**	**887,341**	**932,065**
Net assets attributable to Unitholders		**624,489**	**608,635**	**600,910**	**608,328**
Represented by:					
Unitholders' funds		624,489	608,635	600,910	608,328
Net assets attributable to Unitholders		**624,489**	**608,635**	**600,910**	**608,328**
Units in issue and to be issued ('000)	8	**1,835,124**	**1,835,124**	**1,835,124**	**1,835,124**
Net asset value per Unit (US$) attributable to Unitholders	9	**0.34**	**0.33**	**0.33**	**0.33**

Footnotes:

a. As at 30 June 2024, cash and cash equivalents include short-term fixed deposits of US$23.2 million (31 December 2023: US$57.4 million). Cash and cash equivalents at the Trust includes cash earmarked as interest reserve of US$18.2 million (31 December 2023: US$22.4 million). As at 31 December 2023, cash and cash equivalents at the Trust level includes US$50.0 million earmarked for debt repayment in March 2024.

b. The decrease in prepayments was mainly due to the utilisation of prepaid insurance.

c. An allowance for expected credit losses of US$1.8 million (31 December 2023: US$1.9 million) has been included in the Group's trade and other receivables. The decrease in trade and other receivables was mainly due to a termination fee receivable of US$9.0 million which was fully received in January 2024. Trade and other receivables at the Trust includes US$22.8 million (31 December 2023: Nil) of dividends receivable from its subsidiaries as at 30 June 2024.

d. This relates to the fair value of interest rate swaps entered into by the Group for hedging purposes.

e. Included in investment in subsidiaries is an accumulated allowance for impairment loss of US$567.2 million (31 December 2023: US$567.2 million).

f. These include trade payables and accruals mainly for property operating expenses (including property management fee) and capital expenditures, deferred revenue for lease termination and lease amendment fees to be amortised over the remaining lease period, interest and the Manager's base fee payable. As at 30 June 2024, current portion of deferred revenue is US$1.6 million (31 December 2023: US$4.8 million) while the non-current portion is US$4.3 million (31 December 2023: US$4.7 million).

The accompanying notes form an integral part of the condensed financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group	
		6 months ended 30 June 2024 US$'000	**6 months ended 30 June 2023 US$'000**
Gross revenue[a]		86,740	99,568
Property operating expenses[b]		(43,941)	(44,207)
Net property income		**42,799**	**55,361**
Interest income[c]		1,799	105
Manager's base fee[d]		(2,539)	(3,795)
Trustee's fee		(115)	(139)
Other trust expenses[e]		(1,378)	(1,410)
Finance expenses	10	(22,270)	(21,690)
Net income before tax and fair value changes		**18,296**	**28,432**
Net fair value change in derivatives[f]		(5,128)	(116)
Net fair value change in investment properties[g]		3,824	(292,160)
Loss on disposal of investment property[h]		-	(253)
Net income/(loss) before tax		**16,992**	**(264,097)**
Tax (expense)/income[i]	11	(1,138)	16,461
Net income/(loss) attributable to Unitholders		**15,854**	**(247,636)**
Earnings per Unit ("EPU") (US cents)			
Basic and diluted EPU	12	0.89	(13.94)

Footnotes:

a. Gross revenue includes carpark income of US$6.9 million for 1H 2024 (1H 2023: US$6.9 million).

b. Property operating expenses include provision for expected credit losses of US$0.3 million for 1H 2024 (1H 2023: US$0.2 million).

c. Interest income comprises mainly interest earned from short-term fixed deposits.

d. The Manager's base fee is based on 10% of distributable income (calculated before accounting for Manager's base fee and performance fee). The Manager has elected to receive 100% of its base fee in the form of cash for 1H 2024 (1H 2023: 100% of its base fee in the form of Units).

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

f. The Group has entered into interest rate swaps to hedge against floating interest rates. For accounting purposes, the derivatives are carried at fair value on the balance sheet with changes in fair value recognised in profit or loss. No hedge accounting has been elected on the derivatives. Net fair value change in derivatives is not taxable or tax-deductible, and has no impact on the distributable income to the Unitholders.

g. Net fair value change in investment properties for 1H 2024 relates to the effect of amortisation and straight-line rent accounting adjustments, and has no impact on the income available for distribution to the Unitholders. Manulife US REIT will obtain independent appraisals at least once a financial year in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

   Net fair value change in 1H 2023 resulted from a decline in valuations, largely due to higher discount rates and terminal capitalisation rates reflecting risks posed by the volatile macroeconomic environment as well as idiosyncratic risks at the property level (i.e., higher vacancy and/or weak submarket fundamentals) and continued weakening of occupancy performance across the U.S. office market due to a slowdown in demand and leasing activity, which had led to higher vacancy levels and higher concession package assumptions needed to attract new tenants or retain tenants, giving rise to higher leasing costs.

h. The loss on disposal of investment property arose from the divestment of Tanasbourne, which was completed on 11 April 2023 (U.S. time) as a result of the transaction costs incurred.

i. Tax (expense)/income consists of current tax, which includes income tax and withholding tax, and deferred tax, which is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. For 1H 2024, tax expense mainly comprises withholding tax incurred from halting distributions, and deferred tax expense from tax depreciation. For 1H 2023, tax income mainly arises from deferred tax income due to net fair value loss on investment properties, partially offset by deferred tax expense from tax depreciation.

CONDENSED INTERIM DISTRIBUTION STATEMENT

	Group	
	6 months ended 30 June 2024 US$'000	**6 months ended 30 June 2023 US$'000**
Amount available for distribution to Unitholders at the beginning of the period	74,348	38,075
Net income/(loss) for the period	15,854	(247,636)
Distribution adjustments (Note A)	6,999	285,584
Income available for distribution to Unitholders for the period	22,853	37,948
Amount available for distribution to Unitholders	97,201	76,023
Distribution to Unitholders:		
- Distribution of US 2.14 cents per Unit for the period from 1 July 2022 to 31 December 2022	-	(38,019)
Total distribution to Unitholders	-	(38,019)
Amount available for distribution to Unitholders at the end of the period	**97,201**	**38,004**
Distribution amount to Unitholders at the end of the period[1]	**-**	**-**
Number of Units in issue at end of the period ('000)	**1,776,565**	**1,776,565**
DPU[1] (US cents)	**-**	**-**
Note A – Distribution adjustments comprise:		
- Property related non-cash items[2]	3,824	2,450
- Amortisation of upfront debt-related transaction costs[3]	1,039	790
- Manager's base fee paid/payable in Units[4]	-	3,795
- Property Manager's management fee paid/payable in Units[4]	-	2,506
- Trustee's fee	115	139
- Net fair value change in derivatives	5,128	116
- Net fair value change in investment properties	(3,824)	292,160
- Loss on disposal of investment property	-	253
- Deferred tax expense/(income)	695	(16,548)
- Other items[5]	22	(77)
Distribution adjustments	**6,999**	**285,584**

Footnotes:

1 Pursuant to the Recapitalisation Plan and the Master Restructuring Agreement, Manulife US REIT has halted distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

2 This includes straight-line rent adjustments and amortisation of tenant improvement allowance, leasing commissions and free rent incentives.

3 Upfront debt-related transaction costs and costs incurred in relation to the Master Restructuring Agreement are amortised over the remaining term of the loans and borrowings.

4 The Manager has elected to receive 100% payment of the Manager's base fee in the form of cash commencing from 1 July 2023. The Property Manager has also elected to receive 100% payment of the property management fee in the form of cash commencing 1 July 2023 as directed by each of the property holding U.S. entities of the Group.

5 This includes non-tax deductible items and other adjustments including rent-free reimbursements. The rent-free reimbursements were in relation to the vendors of certain properties that had granted rent-free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, these vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent-free reimbursements are applied towards the distributable income.

CONDENSED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

	Note	2024 Units in issue and to be issued US$'000	2024 Accumulated losses US$'000	2024 Total US$'000	2023 Units in issue and to be issued US$'000	2023 Accumulated losses US$'000	2023 Total US$'000
Group							
At 1 January		**1,240,845**	**(632,210)**	**608,635**	**1,234,544**	**(214,228)**	**1,020,316**
Operations							
Net income/(loss) for the period		-	15,854	15,854	-	(247,636)	(247,636)
Net increase/(decrease) in net assets resulting from operations		**-**	**15,854**	**15,854**	**-**	**(247,636)**	**(247,636)**
Unitholders' transactions							
Issue of new Units:							
- Manager's base fee paid/payable in Units		-	-	-	3,795	-	3,795
- Property Manager's management fee paid/payable in Units		-	-	-	2,506	-	2,506
Distribution[a]	8	-	-	-	-	(38,019)	(38,019)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		**-**	**-**	**-**	**6,301**	**(38,019)**	**(31,718)**
At 30 June		**1,240,845**	**(616,356)**	**624,489**	**1,240,845**	**(499,883)**	**740,962**
Trust							
At 1 January		**1,240,845**	**(632,517)**	**608,328**	**1,234,544**	**(214,398)**	**1,020,146**
Operations							
Net loss for the period		-	(7,418)	(7,418)	-	(247,758)	(247,758)
Net decrease in net assets resulting from operations		**-**	**(7,418)**	**(7,418)**	**-**	**(247,758)**	**(247,758)**
Unitholders' transactions							
Issue of new Units:							
- Manager's base fee paid/payable in Units		-	-	-	3,795	-	3,795
- Property Manager's management fee paid/payable in Units		-	-	-	2,506	-	2,506
Distribution[a]	8	-	-	-	-	(38,019)	(38,019)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		**-**	**-**	**-**	**6,301**	**(38,019)**	**(31,718)**
At 30 June		**1,240,845**	**(639,935)**	**600,910**	**1,240,845**	**(500,175)**	**740,670**

Footnotes:

a. For 1H 2023, the amount comprises the distribution paid to Unitholders for the period from 1 July 2022 to 31 December 2022.

The accompanying notes form an integral part of the condensed financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 6 months ended 30 June 2024 US$'000	Group 6 months ended 30 June 2023 US$'000
Cash flows from operating activities			
Net income/(loss) for the period before tax		16,992	(264,097)
Adjustments for:			
Amortisation		3,824	2,450
Net change in provision for expected credit losses		267	186
Interest income		(1,799)	(105)
Finance expenses		22,270	21,690
Manager's base fee paid/payable in Units		-	3,795
Property Manager's management fee paid/payable in Units		-	2,506
Net fair value change in derivatives		5,128	116
Net fair value change in investment properties	5	(3,824)	292,160
Loss on disposal of investment property		-	253
Net unrealised foreign exchange losses		56	18
Operating income before working capital changes		**42,914**	**58,972**
Changes in working capital:			
Trade and other receivables		8,575	322
Prepayments		1,500	1,158
Trade and other payables		4,657	6,101
Security deposits		(142)	289
Rent received in advance		(2,770)	(32)
Cash from operating activities		**54,734**	**66,810**
Tax paid		(160)	(88)
Interest paid		(19,113)	(19,564)
Net cash from operating activities		**35,461**	**47,158**
Cash flows from investing activities			
Proceeds from disposal of investment property (net of transaction costs)[a]		-	33,247
Payment for capital expenditure and other costs related to investment properties[b]		(19,740)	(21,013)
Interest received		1,799	105
Net cash (used in)/from investing activities		**(17,941)**	**12,339**
Cash flows from financing activities			
Redemption of preferred units	7	-	(127)
Proceeds from loans and borrowings[c]		-	105,000
Repayment of loans and borrowings[c]		(50,000)	(105,000)
Payment of transaction costs relating to loans and borrowings, including costs incurred in relation to the Master Restructuring Agreement		-	(470)
Distribution paid to Unitholders		-	(38,019)
Movement in interest reserve accounts[d]		4,248	-
Net cash used in financing activities		**(45,752)**	**(38,616)**
Net (decrease)/increase in cash and cash equivalents		**(28,232)**	**20,881**
Cash and cash equivalents at beginning of the period		**104,726**	**112,863**
Effect of exchange rate fluctuations on cash held in foreign currency		(52)	(24)
Cash and cash equivalents at the end of the period		**76,442**	**133,720**

The accompanying notes form an integral part of the condensed financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	30 June 2024	**30 June 2023**
	US$'000	**US$'000**
Cash and cash equivalents in the consolidated statement of financial position	**94,613**	**133,720**
Less: Interest reserves[d]	(18,171)	-
Cash and cash equivalents in the consolidated statement of cash flows	**76,442**	**133,720**

Footnotes:

a. The divestment of Tanasbourne was completed on 11 April 2023 (U.S. time) and the net proceeds were retained to provide additional liquidity to fund capital expenditure and leasing costs.

b. For 1H 2024, this includes capital expenditures (renovations or improvements) and leasing costs (including tenant improvement allowances) largely from Figueroa, Peachtree, Plaza and Capitol. For 1H 2023, this includes capital expenditures (renovations or improvements) and leasing costs (including tenant improvement allowances) largely from Figueroa, Michelson, Phipps and Capitol.

c. Pursuant to the Recapitalisation Plan, Manulife US REIT utilised its cash balance to pay down additional US$50.0 million of debt in March 2024. Trust-level credit facilities were utilised to refinance the mortgage facility related to Phipps amounting to US$105.0 million in March 2023.

d. Manulife US REIT is required, under the Recapitalisation Plan and Master Restructuring Agreement, to maintain an interest reserve account comprising an interest reserve of six months for its outstanding loans, including the Sponsor-Lender Loan. The interest reserve accounts are cash collaterals charged in favour to the lenders.

CONDENSED INTERIM STATEMENT OF PORTFOLIO

	Tenure of Land	Occupancy Rates[1] as at 30 June 2024 %	Occupancy Rates[1] as at 31 December 2023 %	Fair value as at 30 June 2024[2] US$'000	Fair value as at 31 December 2023 US$'000	Percentage of total net assets as at 30 June 2024 %	Percentage of total net assets as at 31 December 2023 %
Group							
Commercial Office Properties							
Figueroa	Freehold	53.5	81.9	141,709	139,000	22.7	22.8
Michelson	Freehold	83.3	83.3	241,610	240,000	38.7	39.4
Peachtree	Freehold	79.0	78.9	173,212	171,000	27.7	28.1
Plaza	Freehold	82.2	83.4	62,452	58,000	10.0	9.5
Exchange	Freehold	75.9	86.6	235,565	234,000	37.7	38.5
Penn	Freehold	90.0	90.9	108,007	108,000	17.3	17.8
Phipps	Freehold	78.9	78.8	175,700	176,000	28.1	28.9
Centerpointe	Freehold	75.1	86.4	76,034	75,800	12.2	12.5
Capitol	Freehold	89.9	86.6	159,882	158,000	25.6	26.0
Diablo	Freehold	98.2	93.7	52,824	52,000	8.5	8.5
Investment properties				**1,426,995**	**1,411,800**	**228.5**	**232.0**
Other assets and liabilities (net)				(802,506)	(803,165)	(128.5)	(132.0)
Net assets				**624,489**	**608,635**	**100.0**	**100.0**

1 Based on committed leases.
2 The fair values of the Group's investment properties as at 30 June 2024 were based on the independent valuations as at 31 December 2023, adjusted for capital expenditures, leasing costs (including tenant improvement allowances) and straight-line rent accounting adjustments incurred in 1H 2024. For more information, please refer to Note 5.

The accompanying notes form an integral part of the condensed financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 General

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

The condensed interim consolidated financial statements relate to the Trust and its subsidiaries.

2 Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

The condensed interim financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2023.

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 2023 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised IFRS (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2024. 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.

The condensed interim financial statements are presented in United States Dollars ("US$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US$'000), unless otherwise stated.

2 Basis of preparation (cont'd)

2.2 Going concern basis of preparation of financial statements

As at 30 June 2024, the Group's current liabilities exceed its current assets by US$45.2 million while the Trust's current liabilities exceeds its current assets by US$62.4 million.

As disclosed in Note 6, during the financial year ended 31 December 2023, the decrease in the fair value of the investment properties contributed to the Group's breach of a financial covenant imposed by the Group's lenders and limited the Group's ability to raise further debt funding. In response to these, the Group has undergone a restructuring of existing credit facilities through the Recapitalisation Plan that serves to augment the financial position and cash flows of the Group through divestment of assets, provision of long-term Sponsor-Lender Loan (as defined herein), partial repayment of existing loans, extension of maturities of existing loan facilities, waiver of past and existing breaches of financial covenants, temporary amendment of on-going financial covenants and the temporary halt of distributions to Unitholders.

The Manager has prepared the Group's financial statements on a going concern basis and have applied significant judgement in evaluating the Group's ability to meets its obligations as and when they fall due. As part of this evaluation, the Manager has considered the current and expected financial effects of the Recapitalisation Plan, the Group's continuing ability to meet the conditions, obligations and covenants under the Recapitalisation Plan and its existing loans and borrowings, the Group's available cash resources, and the cash flows from the Group's operating activities and planned divestment of assets in line with the Recapitalisation Plan.

2.3 Use of estimates and judgements

The preparation of the Group's condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2023.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements and accounting estimates in applying accounting policies have the most significant effect on the amounts recognised in the financial statements in the following areas:

- Basis of measurement and use of going concern assumption
- Measurement of expected credit losses ("ECLs") for trade receivables
- Valuation of investment properties
- Fair value of derivatives

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer and the directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group's investment properties comprise commercial office properties located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in these financial statements.

5 Investment properties

	Group	
	30 June 2024 US$'000	**31 December 2023 US$'000**
Consolidated Statement of Financial Position		
As at 1 January	1,411,800	1,947,000
Capital expenditure capitalised	15,195	43,907
Disposal of investment property	-	(132,200)
Fair value changes in investment properties	-	(446,907)
As at 30 June / 31 December	1,426,995	1,411,800
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	-	(446,907)
Net effect of amortisation and straight lining	3,824	8,346
Net fair value changes recognised in the statement of comprehensive income	3,824	(438,561)

During the financial year ended 31 December 2023, the Group completed the divestment of the investment properties named Tanasbourne for US$33.5 million and Park Place for US$98.7 million to John Hancock Life Insurance Company (U.S.A.), an indirect wholly-owned subsidiary of the Sponsor on 11 April 2023 (U.S. time) and 15 December 2023 (U.S. time), respectively.

Pursuant to the Recapitalisation Plan and Master Restructuring Agreement, the Manager is authorised to dispose the Group's existing investment properties to provide funds for the Group's approved capital expenditures and repayment of outstanding loans and borrowings.

Under the terms and conditions of the Recapitalisation Plan and Master Restructuring Agreement, the Group is required to procure, on a best endeavours basis, the sale of the Group's properties prioritised by specified tranches, and to achieve minimum cumulative net sale proceeds targets (each a "Minimum Sale Target") by certain dates as follows:

- by 31 December 2024: Minimum cumulative net sale proceeds of US$230.0 million ("2024 Net Proceeds Target")
- by 30 June 2025: Minimum cumulative net sale proceeds of US$328.7 million (inclusive of the above 2024 Net Proceeds Target)

5 Investment properties (cont'd)

The minimum cumulative net sale proceeds shall be made up from the sale of up to four of the following assets, being Centerpointe, Diablo, Figueroa and Penn (collectively, the "Tranche 1 Assets") and Capitol, Exchange, Peachtree and Plaza (collectively, the "Tranche 2 Assets"), of which not more than two may be Tranche 2 Assets. Under the Master Restructuring Agreement, (A) the sale of each Tranche 1 Assets for less than the pre-approved pricing would require the approval from either (i) the sponsor-included majority lenders or (ii) all lenders (including the Sponsor-Lender), depending on how much less the asset is sold below the pre-approved pricing, (B) the sale of each Tranche 2 Assets requires the approval of either (i) the sponsor-included majority lenders or (ii) all lenders (including the Sponsor-Lender), depending on where the sale price is as compared to the latest appraisal, while (C) the sale of Michelson and/or Phipps is subject to the necessary consents under each of the respective facility agreements. The pre-approved pricing is the higher of the reference price provided in the Recapitalisation Plan and 95% of the prevailing market value.

If the 2024 Net Proceeds Target is not achieved by 31 December 2024, the Group is required to pay the higher of, a flat fee of 1% on the shortfall amount between the 2024 Net Proceeds Target and the cumulative net sale proceeds received, and an additional interest margin payment, at a rate of 0.75% per annum on the outstanding amounts under the existing facilities as at 31 December 2024 for a period of 180 days. The prior approval of the majority lenders (for the avoidance of doubt, excluding the Sponsor-Lender) is required to waive any failure to meet a Minimum Sale Target by 15% or less. Any failure to meet a Minimum Sale Target by more than 15% will have to be waived by all lenders.

For details, please refer to the key terms of the Recapitalisation Plan in paragraph 3.1 of the circular dated 29 November 2023, and the announcement on "Update On Restructuring Of The Existing Facilities" dated 13 December 2023.

Measurement of fair value

The carrying amounts of the Group's investment properties as at 30 June 2024 were based on the independent valuations as at 31 December 2023, adjusted for capital expenditures, leasing costs (including tenant improvement allowances) and straight line rent accounting adjustments incurred in 1H 2024. The Manager has assessed that the key inputs used by the valuers in the valuation techniques for their valuation as at 31 December 2023 remain appropriate for the half-year ended 30 June 2024, and the carrying values of investment properties approximate their fair values. A full valuation of the Group's investment properties will be performed for the financial year ending 31 December 2024, in line with the Property Fund Guidelines on annual valuation.

As at 31 December 2023, the investment properties, were stated at fair value based on independent valuations undertaken by JLL Valuation & Advisory Services, LLC, except for Diablo, which was undertaken by Colliers International Valuation & Advisory Services, LLC.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow ("DCF") and the Direct Capitalisation Method ("DCM"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The market or direct comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

5 Investment properties (cont'd)

Valuation techniques and significant unobservable inputs

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties as at 31 December 2023:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Rental rate per square foot per year 31 December 2023: US$15.00 - US$55.00	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate 31 December 2023: 7.25% - 9.75% Terminal capitalisation rate 31 December 2023: 6.50% - 8.00%	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Direct capitalisation method	Rental rate per square foot per year 31 December 2023: US$15.00 - US$55.00	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate 31 December 2023: 6.50% - 8.25%	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot 31 December 2023: US$165 - US$485	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

6 Loans and borrowings

	Group		Trust	
	30 June 2024 US$'000	**31 December 2023 US$'000**	**30 June 2024 US$'000**	**31 December 2023 US$'000**
Current				
Unsecured bank loans	102,289	48,078	102,289	48,078
Unsecured revolving credit facility ("RCF")	-	1,922	-	1,922
Less: Unamortised transaction costs	(330)	(120)	(330)	(120)
	101,959	49,880	101,959	49,880
Non-current				
Unsecured bank loans	608,013	710,302	608,013	710,302
Unsecured RCF	28,398	28,398	28,398	28,398
Unsecured Sponsor-Lender Loan	137,000	137,000	137,000	137,000
Accrual for Sponsor-Lender Loan exit premium	1,902	99	1,902	99
Less: Unamortised transaction costs	(4,107)	(5,356)	(4,107)	(5,356)
	771,206	870,443	771,206	870,443
	873,165	920,323	873,165	920,323

6 Loans and borrowings (cont'd)

The Property Funds Appendix states that the aggregate leverage limit is not considered to be breached if exceeding the limit is due to circumstances beyond the control of the Manager. As a decline in the valuation of investment properties has resulted in the aggregate leverage of Manulife US REIT exceeding 50%, there is no breach of the aggregate leverage limit as defined by the Property Funds Appendix.

As at 30 June 2024, the Group had gross borrowings of US$875.7 million (31 December 2023: US$925.7 million), an aggregate leverage ratio of 56.3% (31 December 2023: 58.3%) and interest coverage ratio, as defined by the Property Funds Appendix, of 2.2 times (31 December 2023: 2.4 times). 80.2% of the gross borrowings have fixed interest rates or have been hedged (31 December 2023: 91.3%), which reduces short-term cash flow volatility from floating interest rate movements.

Pursuant to the Recapitalisation Plan, the approval of the resolutions during the Extraordinary General Meeting held on 14 December 2023, and the Master Restructuring Agreement, the Sponsor granted an unsecured loan of US$137.0 million for a period of six-years at an interest rate of 7.25% paid quarterly (the “Sponsor-Lender Loan”) with an exit premium of up to 21.16%. In addition, Manulife US REIT utilised its cash balance to pay down an additional US$50.0 million of debt in March 2024.

The weighted average interest rate on borrowings as at 30 June 2024 was 4.58% (31 December 2023: 4.15%) per annum, and the weighted average debt maturity was 3.0 years (31 December 2023: 3.3 years). Including the exit premium on the Sponsor-Lender Loan, the weighted average interest rate on borrowings as at 30 June 2024 was 5.00% (31 December 2023: 4.55%).

Waiver and temporary amendment of loan covenant

The majority of existing loans of Manulife US REIT contain a financial covenant which states that Manulife US REIT must at all times ensure and procure that the ratio of consolidated total unencumbered debt to consolidated total assets (the “Unencumbered Gearing Ratio”) for any measurement period (being a period of 12 months ending on the last day of each financial half-year of Manulife US REIT) is not more than 60:100. As announced on 18 July 2023, the Unencumbered Gearing Ratio as at 30 June 2023 was 60.2:100 as a result of the decline in valuation of investment properties and the breach of the financial covenant has triggered a cross default under all of the Group’s loan facilities and interest rate swaps.

As part of the Master Restructuring Agreement, Manulife US REIT obtained a waiver of the breach in addition to an extension of all loan maturities of the existing facilities by one year, and a temporary amendment of financial covenants such that Unencumbered Gearing Ratio for any measurement period (being a period of 12 months ending on the last day of each financial year of Manulife US REIT) is not more than 80:100 and ratio of Consolidated EBITDA to Consolidated Interest Expense, as defined in the facility agreements, shall be no less than 1.5 times, till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

The details of credit facilities as at 30 June 2024 and 31 December 2023 are set out below:

	30 June 2024		31 December 2023	
	Facility amount US$’000	Utilised US$’000	Facility amount US$’000	Utilised US$’000
Group and Trust				
Unsecured				
Trust-level term loans	993,000	710,302	993,000	758,380
Sponsor-Lender Loan	137,000	137,000	137,000	137,000
Committed RCF	50,000	28,398	50,000	30,320
	1,180,000	875,700	1,180,000	925,700

7 Preferred units

	Group	
	30 June 2024 US$'000	31 December 2023 US$'000
As at 1 January	904	1,078
Redemption of preferred units	-	(174)
As at 30 June / 31 December	904	904

In connection with the divestment of Tanasbourne and Park Place, Hancock-SREIT Portland LLC, which held the Tanasbourne property, and Hancock S-REIT Chandler LLC, which held the Park Place property, each redeemed all outstanding preferred units held by the preferred unitholders on 31 May 2023 and 22 December 2023 respectively. The total cash paid for the redemptions was approximately US$0.3 million, which was funded from internal resources and the proceeds from the divestment of Tanasbourne.

8 Units in issue and to be issued

	Group and Trust			
	2024		2023	
	No of Units '000	US$'000	No of Units '000	US$'000
Units in issue				
As at 1 January/30 June	1,776,565	1,227,728	1,776,565	1,227,728
Units to be issued				
Manager's base fee payable in Units[a][b]	35,541	7,985	35,541	7,985
Property management fees payable in Units[a][b]	23,018	5,132	23,018	5,132
	58,559	13,117	58,559	13,117
Total Units issued and to be issued as at 30 June	1,835,124	1,240,845	1,835,124	1,240,845

Footnotes:

a. The Manager deferred the issuance of units in Manulife US REIT in relation to the Manager's base fee and the Property Manager's management fee for the periods from 1 July 2022 to 31 December 2022 ("2H 2022") and 1 January 2023 to 30 June 2023 ("1H 2023") to a date where the Manager is satisfied that such issuance would be in compliance with the unit ownership limit of 9.8% prescribed in the Trust Deed.

b. There are 21,859,395 Units to be issued in satisfaction of the Manager's base fee and Property Manager's management fee for 2H 2022 based on the volume weighted average price for the last 10 Business Days immediately preceding 31 December 2022 of US$0.3118, and 36,699,067 Units to be issued in satisfaction of the Manager's base fee and Property Manager's management fee for 1H 2023 based on the volume weighted average price for the last 10 Business Days immediately preceding 30 June 2023 of US$0.1717. 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 2022 and 30 June 2023 respectively, or (ii) the closing price on the day of issuance of Units in payment of property management fees.

Manulife US REIT did not hold any treasury units as at 30 June 2024 and 31 December 2023. The total number of issued Units in Manulife US REIT as at 30 June 2024 and 31 December 2023 were 1,776,565,421.

9 Net asset value per Unit

	Note	Group 30 June 2024	Group 31 December 2023	Trust 30 June 2024	Trust 31 December 2023
Net asset value per Unit is based on:					
- Net assets (US$'000)[a]		624,489	608,635	600,910	608,328
- Total Units issued and to be issued at end of period ('000)	8	1,835,124	1,835,124	1,835,124	1,835,124

Footnotes:

a. Net asset value and net tangible asset are the same as there are no intangible asset as at 30 June 2024 and 31 December 2023.

10 Finance expenses

	Group 6 months ended 30 June 2024 US$'000	Group 6 months ended 30 June 2023 US$'000
Interest expense on loans and borrowings	19,215	20,645
Amortisation of upfront debt-related transaction costs[a]	1,039	790
Exit premium on Sponsor-Lender Loan	1,803	-
Dividends on preferred units	76	88
Redemption of preferred units[b]	-	40
Commitment and financing fees[c]	137	127
	22,270	21,690

Footnotes:

a. Upfront debt-related transaction costs, including costs in relation to the Master Restructuring Agreement, are amortised over the remaining term of the loans and borrowings.

b. Following the completion of the disposal of Tanasbourne, Hancock S-REIT Portland LLC, an indirect subsidiary of Manulife US REIT which held the property, redeemed all of its 115 outstanding preferred units held by the preferred unitholders of the subsidiary on 31 May 2023.

c. This includes the financing fees on trust-level committed lines of credit.

11 Tax expense/(income)

	Group 6 months ended 30 June 2024 US$'000	Group 6 months ended 30 June 2023 US$'000
Current tax expense		
Income tax	170	87
Withholding tax[a]	273	-
	443	87
Deferred tax expense/(income)		
Movement in temporary differences	695	(16,548)
	1,138	(16,461)

Footnotes:

a. US$0.3 million of withholding tax incurred as a result of halting distributions, allocable to Unitholders who fail to submit a valid U.S. tax form, has been included in 1H 2024 withholding tax expense.

12 Earnings per Unit ("EPU")

Basic earnings per Unit is based on:

	Group	
	6 months ended 30 June 2024	**6 months ended 30 June 2023**
Net income/(loss) for the period (US$'000)	15,854	(247,636)
	30 June 2024 No. of Units	**30 June 2023 No. of Units**
Weighted average number of Units in issue and issuable ('000)	1,776,726	1,776,726

Basic EPU is calculated based on the weighted number of Units for the period. This is comprised of:

(i) the weighted average number of Units in issue for the period; and
(ii) the estimated weighted average number of Units issuable as payment of the Manager's base fees and Property Manager's management fees for the period.

Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

13 Fair value of assets and liabilities

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

a) Level 1: for unadjusted price quoted in active markets for identical assets or liabilities;
b) Level 2: for inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

		Group				Trust			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
30 June 2024									
Financial assets									
Financial derivatives		-	28,138	-	28,138	-	28,138	-	28,138
Financial liabilities									
Loans and borrowings	6	-	-	874,228	874,228	-	-	874,228	874,228
Preferred units	7	-	-	1,265	1,265	-	-	-	-
31 December 2023									
Financial assets									
Financial derivatives		-	33,266	-	33,266	-	33,266	-	33,266
Financial liabilities									
Loans and borrowings	6	-	-	925,700	925,700	-	-	925,700	925,700
Preferred units	7	-	-	1,265	1,265	-	-	-	-

13 Fair value of assets and liabilities (cont'd)

Measurement of fair values

The following is a description of the valuation techniques and inputs used in the measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

14 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions were carried out at terms agreed between the parties:

	Group	
	6 months ended 30 June 2024 US$'000	6 months ended 30 June 2023 US$'000
Rental received/receivable from a related party	338	360
Disposal of investment property	-	33,500
Interest paid/payable pursuant to the Sponsor-Lender Loan	5,040	-
Manager's base fee paid/payable	2,539	3,795
Property manager's management fee paid/payable	2,156	2,506
Trustee's fee paid/payable	115	147[1]
Leasing fees to a related party	350	278
Construction supervision fees to a related party	196	220
Reimbursements to a related party	180	185
Settlement of liabilities including withholding taxes	-	174

[1] Including fees for the disposal of investment property

15 Financial ratios

	Group	
	6 months ended 30 June 2024 %	**6 months ended 30 June 2023 %**
Ratio of expenses to weighted average net assets[1]		
- including performance component of the Manager's management fees	1.44	0.98
- excluding performance component of the Manager's management fees	1.44	0.98
Portfolio turnover rate[2]	-	-

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense.

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value in accordance with the formulae stated in the CIS Code.

OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

I SALES, TRANSFERS, CANCELLATION AND/OR USE OF TREASURY UNITS AND SUBSIDIARY HOLDINGS

(a) Treasury units

There were no sales, transfers, cancellation and/or use of treasury units as at the end of the current financial period ended 30 June 2024.

(b) Subsidiary holdings

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period ended 30 June 2024.

II AUDIT STATEMENT

(a) 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.

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

Not applicable.

III REVIEW OF PERFORMANCE OF THE GROUP

	1H 2024 US$'000	1H 2023 US$'000	Change %
Consolidated Statement of Comprehensive Income			
Gross revenue	86,740	99,568	(12.9)
Property operating expenses	(43,941)	(44,207)	(0.6)
Net property income	**42,799**	**55,361**	**(22.7)**
Interest income	1,799	105	>100
Manager's base fee	(2,539)	(3,795)	(33.1)
Trustee's fee	(115)	(139)	(17.3)
Other trust expenses	(1,378)	(1,410)	(2.3)
Finance expenses	(22,270)	(21,690)	2.7
Net income before tax and fair value changes	**18,296**	**28,432**	**(35.6)**
Net fair value change in derivatives	(5,128)	(116)	>100
Net fair value change in investment properties	3,824	(292,160)	N.M.
Loss on disposal of investment property	-	(253)	(100.0)
Net income/(loss) before tax	**16,992**	**(264,097)**	**N.M.**
Tax (expense)/income	(1,138)	16,461	N.M.
Net income/(loss) attributable to Unitholders	**15,854**	**(247,636)**	**N.M.**

	1H 2024 US$'000	1H 2023 US$'000	Change %
Distribution Statement			
Net income/(loss) for the period	15,854	(247,636)	N.M.
Distribution adjustments	6,999	285,584	(97.5)
Income available for distribution to Unitholders	**22,853**	**37,948**	**(39.8)**
Distribution amount to Unitholders	**-**	**-**	**N.M.**

N.M.: Not meaningful

1H 2024 vs 1H 2023

Gross revenue of US$86.7 million for 1H 2024 was lower by US$12.8 million or 12.9%, mainly due to the sale of Tanasbourne and Park Place completed in April 2023 and December 2023 respectively, lower rental and recoveries income as a result of higher portfolio vacancy rate particularly at Figueroa, Centerpointe and Exchange.

Property operating expenses for 1H 2024 was US$43.9 million, a decrease of US$0.3 million or 0.6% from 1H 2023, mainly due to the sale of Tanasbourne and Park Place, partially offset by higher insurance premiums and non-cash amortisation of leasing commission for the same-store properties. As a result, the net property income for 1H 2024 was US$42.8 million, a decrease of US$12.6 million or 22.7% from 1H 2023.

Interest income of US$1.8 million for 1H 2024 was US$1.7 million higher than 1H 2023 contributed by short-term fixed deposits and higher interest rates earned on interest-bearing bank accounts. Finance expenses for 1H 2024 was US$22.3 million, an increase of US$0.6 million or 2.7% from 1H 2023 mainly due to higher interest rates on borrowings and partially offset by loan repayments in 2023 and 1H 2024.

The Manager's base fee was US$1.3 million or 33.1% lower than 1H 2023 due to a decrease in income available for distribution to Unitholders.

Net fair value loss on derivatives of US$5.1 million recognised in 1H 2024 was attributable to the fair valuation of interest rate swaps entered into to hedge against interest rate exposures.

Net fair value gain on investment properties of US$3.8 million in 1H 2024 was due to the effect of amortisation and straight-line rent accounting adjustments, as compared to the net fair value loss on investment properties of US$292.2 million in 1H 2023, which was largely due to higher discount rates, terminal capitalisation rates and higher leasing cost assumptions factored in the 1H 2023 appraisals.

Tax expense of US$1.1 million for 1H 2024 mainly comprised deferred tax expense from tax depreciation and withholding tax expense incurred in relation to the halting of distributions. In contrast, tax income of US$16.5 million in 1H 2023 was mainly due to deferred tax income from net fair value loss on investment properties, partially offset by deferred tax expense from tax depreciation.

Due to the effects of the above, the Group recorded a net income of US$15.9 million in 1H 2024, compared to the net loss of US$247.6 million in 1H 2023. After adjusting for net fair value changes and other distribution adjustments including the Manager's base fee and property management fees to be paid in Units for 1H 2023, income available for distribution to Unitholders for 1H 2024 was US$22.9 million, 39.8% lower than 1H 2023. Pursuant to the Recapitalisation Plan and the Master Restructuring Agreement, Manulife US REIT has halted distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

IV VARIANCE BETWEEN ACTUAL AND PROJECTION

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

Not applicable.

V OUTLOOK AND PROSPECTS

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

U.S. real GDP continued to trend positively into the end of the first half of 2024. After year-on-year (YoY) growth in 3Q 2023, 4Q 2023 and 1Q 2024 of 4.9%, 3.4% and 1.4%, respectively, the YoY growth rate in 2Q 2024 was 2.8%. The U.S. labor market remains healthy as reflected by an unemployment rate of 4.1% in June 2024, with 532,000 jobs gained in 2Q 2024. The Federal Reserve appears to have paused further policy rate increases, and the market is broadly expecting potential policy rate decreases in 2H 2024 due to indications that inflationary pressures may be easing. Inflation grew 3.0% in June 2024, with rising rents contributing to about a third of the increase in the month's Consumer Price Index.

U.S. office leasing demand maintained its positive momentum through the first half of 2024, but the overall picture remains muted. According to JLL, active leasing requirements increased in the first half by 21.8% half-on-half (HoH), reflecting the third consecutive half of requirement increases. 2Q office leasing volume of 50.2 million sq ft was a 14.7% QoQ increase and the highest quarterly volume since 1Q 2020, bringing the total demand in 2Q 2024 and over the past 12 months to 88% and 79% of pre-COVID-19 volume levels, respectively. As a result, while absorption did compress to 8.9 million sq ft of negative net absorption from 13.4 million sq ft at 4Q 2023, it remained negative, which caused an increase in national vacancy rate to 22.1%, up 3.3% HoH.

Manulife US REIT's committed occupancy of 78.4% and long WALE of 4.7 years provide some buffer to withstand additional market uncertainty from a slowing economy or weak occupational market in the office sector, but the portfolio remains susceptible to secular reductions in overall demand from office tenants. With the Recapitalisation Plan in place, the Manager will be able to leverage on the Disposition Mandate adopted during the EGM to optimise Manulife US REIT's portfolio. At the same time, the Manager will continue to focus on asset, lease and capital management in addition to its commitment to sustaining and enhancing environmental, social and governance ("ESG") performance.

VI DISTRIBUTION

(a) Current financial period
(b) Corresponding period of the immediately preceding financial period

Any distribution declared for the current period or the corresponding period of the immediately preceding financial period?	Pursuant to the Recapitalisation Plan, the approval of the resolutions during the EGM, and the entry into the Master Restructuring Agreement, Manulife US REIT has halted distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

VII GENERAL MANDATE RELATING TO INTERESTED PERSON TRANSACTIONS

If the group has obtained a general mandate from unitholders 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.

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

The Board of Directors of Manulife US Real Estate Management Pte. Ltd. (as manager of Manulife US Real Estate Investment Trust) (the “Manager”) hereby confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited financial results of Manulife US REIT for the financial period ended 30 June 2024, to be false or misleading, in any material aspect.

IX 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.

On behalf of the Board

MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)

Marc Feliciano Director	Professor Francis Koh Director

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

Daphne Chua
Company Secretary
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)
5 August 2024