Manulife
US REIT

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2023

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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 portfolio comprises of the following 11 office properties (the "**Properties**") in the United States, with an aggregate net lettable area of 5.3 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;
- Park Place (acquired on 17 December 2021) is a 2-building office campus, located in Chandler, Arizona; 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 2023 to 30 June 2023 ("**1H 2023**").

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 DBS Trustee Limited, in its capacity as trustee of Manulife US REIT (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. Due to the reclassification of Loans and Borrowings into current liabilities as a result of a breach of a financial covenant, the Manager is unable to make such certification, hence, the Manager is not in a position to declare any distribution for the period of 1H 2023.

SUMMARY OF RESULTS

	1H 2023 US$'000	1H 2022 US$'000	Change %
Gross Revenue[1]	99,568	100,418	(0.8)
Net Property Income[2]	55,361	57,622	(3.9)
Net (Loss)/Income for the period[3]	(247,636)	62,772	N.M.
Income Available for Distribution to Unitholders[4]	37,948	45,966	(17.4)
Distribution amount to Unitholders[5]	-	45,966	(100.0)
DPU[5] (cents)	-	2.61	(100.0)

N.M.: Not meaningful

Footnotes:

(1) Gross revenue of US$99.6 million for 1H 2023 was lower by 0.8%, largely due to the sale of Tanasbourne completed in April 2023, lower rental and recoveries income as a result of higher portfolio vacancy rate partially offset by higher lease termination fee and parking income.

(2) Net property income of US$55.4 million for 1H 2023 was lower by 3.9%, mainly due to lower gross revenue as well as higher property operating expenses such as repair and maintenance, property taxes, and utilities in 1H 2023.

(3) Net loss for 1H 2023 was US$247.6 million compared to net income of US$62.8 million for 1H 2022. This is primarily due to lower net property income, higher finance expenses, higher net fair value loss on investment properties and derivatives, as well as a one-off loss on disposal arising from the divestment of Tanasbourne.

(4) Income available for distribution to Unitholders for 1H 2023 was lower by 17.4% mainly due to lower net property income and higher finance expenses.

(5) As a result of a breach of loan covenant, the Trust is not able to declare any distribution for 1H 2023. Please refer to Note 6 on Loans and Borrowings for more details.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Trust	
	Note	**30 June 2023 US$'000**	**31 December 2022 US$'000**	**30 June 2023 US$'000**	**31 December 2022 US$'000**
Current assets					
Cash and cash equivalents		133,720	112,863	11,697	10,350
Prepayments[a]		511	1,669	64	54
Trade and other receivables[b]		4,891	5,399	38,988	42,304
Financial derivatives[c]		48,803	1,264	48,803	1,264
		187,925	121,195	99,522	53,972
Non-current assets					
Investment properties	5	1,633,550	1,947,000	-	-
Investment in subsidiaries[d]		-	-	1,678,481	1,848,645
Financial derivatives[c]		-	47,655	-	47,655
		1,633,550	1,994,655	1,678,481	1,896,300
Total assets		**1,821,475**	**2,115,850**	**1,778,033**	**1,950,272**
Current liabilities					
Trade and other payables[e]		32,339	31,268	8,058	6,076
Loans and borrowings	6	1,029,305	144,635	1,029,305	39,700
Security deposits		415	390	-	-
Rent received in advance		8,075	8,107	-	-
		1,070,134	184,400	1,037,363	45,776
Non-current liabilities					
Trade and other payables[e]		2,335	2,369	-	-
Loans and borrowings	6	-	884,350	-	884,350
Security deposits		4,526	4,262	-	-
Preferred units	7	991	1,078	-	-
Deferred tax liabilities		2,527	19,075	-	-
		10,379	911,134	-	884,350
Total liabilities		**1,080,513**	**1,095,534**	**1,037,363**	**930,126**
Net assets attributable to Unitholders		**740,962**	**1,020,316**	**740,670**	**1,020,146**
Represented by:					
Unitholders' funds		740,962	1,020,316	740,670	1,020,146
Net assets attributable to Unitholders		**740,962**	**1,020,316**	**740,670**	**1,020,146**
Units in issue and to be issued ('000)		**1,835,124**	**1,798,425**	**1,835,124**	**1,798,425**
Net asset value per Unit (US$) attributable to Unitholders[f]	9	**0.40**	**0.57**	**0.40**	**0.57**

Footnotes:

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

b. An allowance for expected credit losses of US$1.5 million (31 December 2022: US$1.3 million) has been included in the Group's trade and other receivables.

c. This relates to the fair value of interest rate swaps entered into by the Group for hedging purposes. As at 30 June 2023, financial derivatives of US$43.2 million have been reclassified to current assets, in line with the reclassification of loans and borrowings. Please refer to Note 6 on Loans and Borrowings for more details.

d. During the period, the Trust has assessed the carrying amount of the investments in subsidiaries following indicators of impairment mainly from a decrease in fair value of investment properties held by indirect subsidiaries. Included in investment in subsidiaries is an allowance for impairment loss of US$454.0 million (31 December 2022: US$195.8 million).

e. These include trade payables and accruals mainly for property operating expenses and capital expenditures, deferred revenue for lease termination and lease amendment fees to be amortised over the remaining lease period, as well as interest payable for the Trust. As at 30 June 2023, current portion of deferred revenue is US$4.9 million (31 December 2022: US$1.7 million) while the non-current portion is US$2.3 million (31 December 2022: US$2.4 million).

f. The adjusted net asset value per Unit for the Group and Trust is US$0.38 (31 December 2022: US$0.55) after excluding distributable income.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group	
	Note	**6 months ended 30 June 2023 US$'000**	**6 months ended 30 June 2022 US$'000**
Gross revenue[a]		99,568	100,418
Property operating expenses[b]		(44,207)	(42,796)
Net property income		**55,361**	**57,622**
Interest income		105	3
Manager's base fee[c]		(3,795)	(4,597)
Trustee's fee		(139)	(150)
Other trust expenses[d]		(1,410)	(1,462)
Finance expenses	10	(21,690)	(15,294)
Net income before tax and fair value changes		**28,432**	**36,122**
Net fair value change in derivatives[e]		(116)	32,798
Net fair value change in investment properties[f]		(292,160)	1,574
Loss on disposal of investment property[g]		(253)	-
Net (loss)/income for the period before tax		**(264,097)**	**70,494**
Tax income/(expense)[h]	11	16,461	(7,722)
Net (loss)/income for the period attributable to Unitholders		**(247,636)**	**62,772**
Earnings per Unit ("EPU") (US cents)			
Basic and diluted EPU	12	(13.94)	3.56

Footnotes:

a. Gross revenue includes carpark income of US$6.9 million for 1H 2023 (1H 2022: US$6.3 million).

b. Property operating expenses include provision for expected credit losses of US$0.2 million for 1H 2023 (1H 2022: US$0.5 million).

c. The Manager's base fee is based on 10% of distributable income. The Manager has elected to receive 100% of its base fee in the form of units for 1H 2023.

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

e. 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.

f. In accordance with the Property Funds Appendix of the Code on Collective Investment Schemes, Manulife US REIT obtains independent appraisals at least once a financial year.

   In light of current market conditions and the downward pressure on U.S. commercial office values, the Manager determined that it is prudent to seek expert advice from independent valuers to determine the fair values of investment properties as at 30 June 2023. The decline in valuations is largely due to higher discount rates and terminal capitalisation rates for certain properties 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 is leading to higher vacancy levels and higher concession package assumptions needed to attract new tenants or retain tenants, giving rise to higher leasing costs.

g. The loss on disposal of investment property arose from the divestment of Tanasbourne, which was completed on 12 April 2023.

h. Tax income/(expense) consists of current tax expense and deferred tax income. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. For 1H 2023, deferred tax income arises mainly from net fair value loss on investment properties, partially offset by deferred tax expense from tax depreciation.

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

CONDENSED INTERIM DISTRIBUTION STATEMENT

	Group	
	6 months ended 30 June 2023 US$'000	**6 months ended 30 June 2022 US$'000**
Amount available for distribution to Unitholders at the beginning of the period	38,075	5,682
Net (loss)/income for the period	(247,636)	62,772
Distribution adjustments (Note A)	285,584	(16,806)
Income available for distribution to Unitholders for the period	37,948	45,966
Amount available for distribution to Unitholders	76,023	51,648
Distributions to Unitholders:		
- Distribution of US 0.32 cent per Unit for the period from 9 December 2021 to 31 December 2021	-	(5,613)
- Distribution of US 2.14 cents per Unit for the period from 1 July 2022 to 31 December 2022	(38,019)	-
Total distributions to Unitholders	(38,019)	(5,613)
Amount available for distribution to Unitholders at the end of the period[1]	**38,004**	**46,035**
Number of Units in issue at end of the period ('000)	**1,776,565**	**1,764,085**
DPU[1] (US cents)	**-**	**2.61**
Note A – Distribution adjustments comprise:		
- Property related non-cash items[2]	2,450	1,574
- Amortisation of upfront debt-related transaction costs[3]	790	844
- Manager's base fee paid/payable in Units	3,795	4,597
- Property Manager's management fee paid/payable in Units	2,506	2,564
- Trustee's fee	139	150
- Net fair value change in derivatives	116	(32,798)
- Net fair value change in investment properties	292,160	(1,574)
- Loss on disposal of investment property	253	-
- Deferred tax (income)/expense	(16,548)	7,663
- Other items[4]	(77)	174
Distribution adjustments	**285,584**	**(16,806)**

Footnotes:

1 As a result of a breach of loan covenant, the Trust is not able to declare any distribution for 1H 2023. Please refer to Note 6 on Loans and Borrowings for more details.
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 are amortised over the life of the loans and borrowings.
4 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	Attributable to Unitholders		
		Units in issue and to be issued US$'000	**Accumulated losses US$'000**	**Total US$'000**
Group				
At 1 January 2023		1,234,544	(214,228)	1,020,316
Operations				
Net loss for the period		-	(247,636)	(247,636)
Net decrease in net assets resulting from operations		-	(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
Distributions[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 2023		1,240,845	(499,883)	740,962
Trust				
At 1 January 2023		1,234,544	(214,398)	1,020,146
Operations				
Net loss for the period		-	(247,758)	(247,758)
Net decrease in net assets resulting from operations		-	(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
Distributions[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 2023		1,240,845	(500,175)	740,670

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (CONT'D)

	Note	Attributable to Unitholders		
		Units in issue and to be issued US$'000	**(Accumulated losses)/ Retained earnings US$'000**	**Total US$'000**
Group				
At 1 January 2022		1,228,500	(40,784)	1,187,716
Operations				
Net income for the period		-	62,772	62,772
Net increase in net assets resulting from operations		-	62,772	62,772
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		4,597	-	4,597
- Property Manager's management fee paid/payable in Units		2,564	-	2,564
Distributions[a]	8	(877)	(4,736)	(5,613)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		6,284	(4,736)	1,548
At 30 June 2022		1,234,784	17,252	1,252,036
Trust				
At 1 January 2022		1,228,500	(66,052)	1,162,448
Operations				
Net income for the period		-	57,499	57,499
Net increase in net assets resulting from operations		-	57,499	57,499
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		4,597	-	4,597
- Property Manager's management fee paid/payable in Units		2,564	-	2,564
Distributions[a]	8	(877)	(4,736)	(5,613)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		6,284	(4,736)	1,548
At 30 June 2022		1,234,784	(13,289)	1,221,495

Footnotes:

a. For 1H 2023, the amount comprises the distribution paid to Unitholders for the period from 1 July 2022 to 31 December 2022. For 1H 2022, the amount comprises the distribution paid to Unitholders for the period from 9 December 2021 to 31 December 2021.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group	
		6 months ended 30 June 2023 US$'000	**6 months ended 30 June 2022 US$'000**
Cash flows from operating activities			
Net (loss)/income for the period before tax		(264,097)	70,494
Adjustments for:			
Amortisation		2,450	1,574
Net change in provision for expected credit losses		186	510
Interest income		(105)	(3)
Finance expenses		21,690	15,294
Manager's base fee paid/payable in Units		3,795	4,597
Property Manager's management fee paid/payable in Units		2,506	2,564
Net fair value change in derivatives		116	(32,798)
Net fair value change in investment properties		292,160	(1,574)
Loss on disposal of investment property		253	-
Net unrealised foreign exchange losses		18	60
Operating income before working capital changes		**58,972**	**60,718**
Changes in working capital:			
Trade and other receivables		322	114
Prepayments		1,158	915
Trade and other payables		6,101	5,740
Security deposits		289	216
Rent received in advance		(32)	121
Cash from operating activities		**66,810**	**67,824**
Tax paid		(88)	(61)
Interest paid		(19,564)	(14,275)
Net cash from operating activities		**47,158**	**53,488**
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]		(21,013)	(11,212)
Interest received		105	3
Net cash from/(used in) investing activities		**12,339**	**(11,209)**
Cash flows from financing activities			
Proceeds from issuance of preferred units	7	-	345
Redemption of preferred units	7	(127)	-
Payment of transaction costs relating to preferred units	7	-	(92)
Proceeds from loans and borrowings[c]		105,000	98,200
Repayment of loans and borrowings[c]		(105,000)	(90,000)
Payment of transaction costs relating to loans and borrowings		(470)	(518)
Distributions paid to Unitholders		(38,019)	(42,575)
Net cash used in financing activities		**(38,616)**	**(34,640)**
Net increase in cash and cash equivalents		**20,881**	**7,639**
Cash and cash equivalents at beginning of the period		**112,863**	**78,581**
Effect of exchange rate fluctuations on cash held in foreign currency		(24)	(53)
Cash and cash equivalents at the end of the period		**133,720**	**86,167**

Footnotes:

a. Please refer to the announcement made on 12 April 2023 on divestment of Tanasbourne for US$33.5 million which provides additional liquidity to fund capital expenditure and leasing costs.

b. For 1H 2023, this includes capital expenditures (renovations or improvements) and leasing costs (including tenant improvement allowances) largely from Figueroa, Michelson, Phipps and Capitol. For 1H 2022, this includes capital expenditures (renovations or improvements) and leasing costs (including tenant improvement allowances) largely from Michelson, Peachtree and Capitol.

c. In March 2023, Trust-level credit facilities were utilised to refinance the mortgage facility related to Phipps. In January 2022, Trust-level credit facilities were utilised to refinance the bridge financing drawn down to fund the acquisitions in December 2021.

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

CONDENSED INTERIM STATEMENT OF PORTFOLIO

	Tenure of Land	Occupancy Rates[1] as at 30 June 2023 %	Occupancy Rates[1] as at 31 December 2022 %	Fair value as at 30 June 2023[2] US$'000	Fair value as at 31 December 2022 US$'000	Percentage of total net assets as at 30 June 2023 %	Percentage of total net assets as at 31 December 2022 %
Group							
Commercial Office Properties							
Figueroa	Freehold	78.3	76.3	174,000	211,000	23.5	20.7
Michelson	Freehold	82.8	90.7	256,000	292,000	34.6	28.6
Peachtree	Freehold	83.5	84.7	175,000	205,000	23.6	20.1
Plaza	Freehold	88.5	91.1	67,100	92,000	9.1	9.0
Exchange	Freehold	85.6	86.2	258,000	290,000	34.8	28.4
Penn	Freehold	90.9	90.9	124,000	156,000	16.7	15.3
Phipps	Freehold	79.7	94.5	178,150	210,000	24.0	20.6
Centerpointe	Freehold	87.3	88.1	79,000	101,000	10.7	9.9
Capitol	Freehold	83.9	85.4	165,000	190,000	22.3	18.6
Tanasbourne[2]	Freehold	-	100.0	-	33,500	-	3.3
Park Place	Freehold	100.0	100.0	98,700	103,000	13.3	10.1
Diablo	Freehold	89.1	91.1	58,600	63,500	7.9	6.2
Investment properties				**1,633,550**	**1,947,000**	**220.5**	**190.8**
Other assets and liabilities (net)				(892,588)	(926,684)	(120.5)	(90.8)
Net assets				**740,962**	**1,020,316**	**100.0**	**100.0**

1 Based on committed leases.
2 The divestment of Tanasbourne was completed on 12 April 2023.

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 2023 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 2022. 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 2022.

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 2022 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 2023. 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 2023, the Group's current liabilities exceed its current assets by US$882.2 million while the Trust's current liabilities exceeds its current assets by US$937.8 million.

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 unencumbered assets ("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 is 60.2:100 as a result of the decline in valuation of investment properties. The breach of the financial covenant has triggered a cross default under all of the Group's loan facilities and interest rate swaps. If the lenders do not agree to waive the breach of the financial covenant, then as a result of the cross default provision, Manulife US REIT may not be able to rely on the interest rate swaps which have fixed the interest rate, and Manulife US REIT would thereby be subject to higher interest rates for its loans. As a result of the breach, the lenders are contractually entitled to demand for immediate repayment of the outstanding loan amounts from the Group. Accordingly, the non-current portion of the borrowings of the Group pertaining to which were only due between 2025 to 2027 have been reclassified from non-current liabilities to current liabilities. These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Trust to continue as going concerns.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which assumes that the Group and Trust are able to meet their respective obligations as and when they fall due within the next twelve months, as the Manager is in the process of discussions with its lenders to seek their waiver for the above-mentioned breach and to discuss plans to address the liquidity needs of Manulife US REIT to meet its operational, capital and tax needs and repay indebtedness. These also include successful negotiation with the lenders, proposed divestment of Phipps to an affiliate of The Manufacturers Life Insurance Company (the "Sponsor") as well as other options of fund raising, such as further divestments via a disposition mandate, capital injection by other potential strategic investors and an equity fund raising. The Manager, together with the financial advisor, Citigroup Global Markets Singapore Pte. Ltd., continues to evaluate potential strategic options to recapitalise the balance sheet of Manulife US REIT. The outcome of any of these actions is not assured.

If, for any reason the Group and the Trust are unable to continue as a going concern, there could be an impact on the classification of assets and liabilities. The Group and Trust may not realise assets and settle liabilities in the ordinary course of business at the amounts stated in the financial statements. The liabilities of the Group and the Trust disclosed in the financial statements are estimated and computed based on the latest information available to the Trust at the reporting date and may be subject to revisions with passage of time and upon material information becoming available to the Trust. In addition, the Group and the Trust may have to provide for further liabilities that may arise. It should be noted that the full consequences and implications of the events disclosed above cannot necessarily be appreciated or assessed at the date of issuance of the interim financial statements.

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 2022.

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:

- 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 2023 US$'000	**31 December 2022 US$'000**
Consolidated Statement of Financial Position		
As at 1 January	1,947,000	2,184,400
Capital expenditure capitalised	14,660	30,581
Disposal of investment property	(33,500)	-
Fair value changes in investment properties	(294,610)	(267,981)
As at 30 June / 31 December	1,633,550	1,947,000
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(294,610)	(267,981)
Net effect of amortisation and straight lining	2,450	4,350
Net fair value changes recognised in the statement of comprehensive income	(292,160)	(263,631)

Measurement of fair value

As at 30 June 2023, the investment properties, except Phipps, were stated at fair value based on independent valuations undertaken by JLL Valuation & Advisory Services, LLC. In view of the proposed disposal of Phipps to the Sponsor, the Manager commissioned JLL Valuation & Advisory Services, LLC, and the Trustee commissioned Colliers International Valuation & Advisory Services, LLC, to value the property. Phipps has been stated at the fair value based on the average of the independent valuations.

As at 31 December 2022, all investment properties were stated at fair value based on independent valuations undertaken by JLL 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 30 June 2023 and 31 December 2022:

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 30 June 2023: US$15.50 - US$55.00 (31 December 2022: US$15.50 - 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 30 June 2023: 6.50% - 9.75% (31 December 2022: 6.00% - 9.00%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
	Terminal capitalisation rate 30 June 2023: 5.75% - 8.00% (31 December 2022: 5.25% - 7.75%)	
Direct capitalisation method	Rental rate per square foot per year 30 June 2023: US$15.50 - US$55.00 (31 December 2022: US$15.50 - 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 30 June 2023: 5.75% - 8.50% (31 December 2022: 5.25% - 7.75%)	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 30 June 2023: US$200 - US$525 (31 December 2022: US$204 - US$575)	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 2023 US$'000	**31 December 2022 US$'000**	**30 June 2023 US$'000**	**31 December 2022 US$'000**
Current				
Secured bank loans	-	105,000	-	-
Unsecured bank loans	993,000	-	993,000	-
Unsecured RCF	39,700	39,700	39,700	39,700
Less: Unamortised transaction costs	(3,395)	(65)	(3,395)	-
	1,029,305	144,635	1,029,305	39,700
Non-current				
Unsecured bank loans	-	888,000	-	888,000
Less: Unamortised transaction costs	-	(3,650)	-	(3,650)
	-	884,350	-	884,350
	1,029,305	1,028,985	1,029,305	924,050

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 2023, the Group had an aggregate leverage ratio of 56.7% (31 December 2022: 48.8%) and interest coverage ratio of 2.6 times (31 December 2022: 3.1 times). 80.2% of the gross borrowings had fixed interest rates (31 December 2022: 77.3%), which reduces short-term cash flow volatility from floating interest rate movements. The average interest rate on borrowings as at 30 June 2023 was 4.10% (31 December 2022: 3.74%) per annum, and the weighted average debt maturity was 2.5 years (31 December 2022: 2.8 years).

While 89.2% of the Group's properties (based on appraised values) were unencumbered as at 31 December 2022, all of the Group's properties are unencumbered post Phipps refinancing in March 2023.

Breach 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 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 is 60.2:100 as a result of the decline in valuation of investment properties. The breach of the financial covenant has triggered a cross default under all of the Group's loan facilities and interest rate swaps. As a result, the lenders are contractually entitled to demand for immediate repayment of the outstanding loan amounts from the Group. Accordingly, the non-current portion of the borrowings amounting to US$850.0 million of unsecured bank loans net of unamortised transaction costs of US$3.0 million, which were only due between 2025 to 2027, have been reclassified from non-current liabilities to current liabilities.

The Manager is in the process of discussions with its lenders to seek their waiver for the above-mentioned breach and to discuss plans to address the liquidity needs of Manulife US REIT to meet its operational, capital and tax needs and repay indebtedness.

6 Loans and borrowings (cont'd)

The details of credit facilities as at 30 June 2023 and 31 December 2022 are set out below:

	Note	30 June 2023 Facility amount US$'000	30 June 2023 Utilised US$'000	31 December 2022 Facility amount US$'000	31 December 2022 Utilised US$'000
Group					
Secured					
Mortgage facilities		-	-	105,000	105,000
Unsecured					
Trust-level term loans		993,000	993,000	993,000	888,000
Committed RCFs		100,000	39,700	100,000	39,700
US$200.0 million uncommitted RCF		200,000	-	200,000	-
		1,293,000	1,032,700	1,293,000	927,700
		1,293,000	1,032,700	1,398,000	1,032,700
Trust					
Unsecured					
Trust-level term loans		993,000	993,000	993,000	888,000
Committed RCFs		100,000	39,700	100,000	39,700
US$200.0 million uncommitted RCF		200,000	-	200,000	-
		1,293,000	1,032,700	1,293,000	927,700
		1,293,000	1,032,700	1,293,000	927,700

7 Preferred Units

	Group 30 June 2023 US$'000	Group 31 December 2022 US$'000
As at 1 January	1,078	825
Issuance of preferred units (net of issuance costs)	-	253
Redemption of preferred units	(87)	-
As at 30 June / 31 December	991	1,078

In connection with the divestment of Tanasbourne, Hancock S-REIT Portland LLC, an indirect subsidiary of Manulife US REIT which held the property, also redeemed all of its 115 outstanding preferred units held by the preferred unitholders of the subsidiary on 31 May 2023. The total redemption amount was approximately US$0.1 million and was funded from internal resources and proceeds from the divestment.

On 26 January 2022, indirect subsidiaries of Manulife US REIT each issued 115 preferred units at US$1,000 per preferred unit to persons who are unrelated to The Manufacturers Life Insurance Company and the Group. The subsidiaries were established to each hold Tanasbourne, Park Place and Diablo, which were acquired in December 2021. The preferred shares issuance is required in order to meet one of the requirements for the subsidiaries to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes under the United States Internal Revenue Code of 1986, as amended. Each of the preferred shares carries a fixed dividend of 12.0% per annum, are non-voting and are redeemable at the option of each subsidiary.

8 Units in issue and to be issued

	Group and Trust			
	30 June 2023		30 June 2022	
	No of Units '000	US$'000	No of Units '000	US$'000
Units in issue				
As at 1 January	1,776,565	1,227,728	1,754,155	1,221,878
Issuance of Units:				
- Manager's base fee paid in Units[a]	-	-	6,389	4,261
- Property Manager's management fees paid in Units[a]	-	-	3,541	2,361
Capital distribution	-	-	-	(877)
As at 30 June	1,776,565	1,227,728	1,764,085	1,227,623
Units to be issued				
Manager's base fee payable in Units[a][b]	35,541	7,985	8,011	4,597
Property Manager's management fees payable in Units[a][b]	23,018	5,132	4,469	2,564
	58,559	13,117	12,480	7,161
Total Units issued and to be issued as at 30 June	1,835,124	1,240,845	1,776,565	1,234,784

Footnotes:

a. As announced on 24 February 2023, 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 period from 1 July 2022 to 31 December 2022 ("2H 2022") 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 2023 and 31 December 2022. The total number of issued Units in Manulife US REIT as at 30 June 2023 and 31 December 2022 were 1,776,565,421.

9 Net asset value per Unit

		Group		Trust	
	Note	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net asset value per Unit is based on:					
- Net assets (US$'000)[a]		740,962	1,020,316	740,670	1,020,146
- Total Units issued and to be issued at end of period ('000)	8	1,835,124	1,798,425	1,835,124	1,798,425

Footnotes:

a. Net asset value and net tangible asset are the same as there are no intangible asset as at 30 June 2023 and 31 December 2022.

10 Finance expenses

	Group	
	6 months ended 30 June 2023 US$'000	**6 months ended 30 June 2022 US$'000**
Interest expense on loans and borrowings	20,645	14,200
Amortisation of upfront debt-related transaction costs[a]	790	844
Dividends on preferred units	88	87
Redemption of preferred units[b]	40	-
Commitment and financing fees[c]	127	163
	21,690	15,294

Footnotes:

a. Upfront debt-related transaction costs are amortised over the life 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 (income)/expense

	Group	
	6 months ended 30 June 2023 US$'000	**6 months ended 30 June 2022 US$'000**
Current tax expense		
Income tax	87	59
Deferred tax (income)/expense		
Movement in temporary differences	(16,548)	7,663
	(16,461)	7,722

As a result of a breach of loan covenant, the Trust is not able to declare any distribution for 1H 2023. If the distributions cannot be declared, this would have an impact on the structure of Manulife US REIT and would result in additional taxes being required to be paid. The Manager is seeking advice from the U.S. tax advisor, and further details on any potential material impact will be announced in due course as required.

12 Earnings per Unit ("EPU")

Basic earnings per Unit is based on:

	Group	
	6 months ended 30 June 2023	**6 months ended 30 June 2022**
Net (loss)/income for the period (US$'000)	(247,636)	62,772
	30 June 2023 No. of Units	**30 June 2022 No. of Units**
Weighted average number of Units in issue and issuable ('000)	1,776,889	1,761,192

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 2023									
Financial assets									
Financial derivatives		-	48,803	-	48,803	-	48,803	-	48,803
Financial liabilities									
Loans and borrowings	6	-	-	1,032,700	1,032,700	-	-	1,032,700	1,032,700
Preferred units	7	-	-	1,380	1,380	-	-	-	-
31 December 2022									
Financial assets									
Financial derivatives		-	48,919	-	48,919	-	48,919	-	48,919
Financial liabilities									
Loans and borrowings	6	-	-	1,031,669	1,031,669	-	-	927,700	927,700
Preferred units	7	-	-	1,495	1,495	-	-	-	-

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 and included in the Group's profit before tax:

	Group	
	6 months ended 30 June 2023 US$'000	6 months ended 30 June 2022 US$'000
Rental received/receivable from a related party	360	466
Disposal of investment property	33,500	-
Manager's base fee paid/payable	3,795	4,597
Property manager's management fee paid/payable	2,506	2,564
Trustee's fee paid/payable[1]	147	150
Leasing fees to a related party	278	324
Construction supervision fee to a related party	220	7
Reimbursements to a related party	185	213
Settlement of liabilities including withholding taxes	174	384

[1] Including fees for the disposal of investment property

15 Financial ratios

	Group	
	6 months ended 30 June 2023	**6 months ended 30 June 2022**
	%	**%**
Ratio of expenses to weighted average net assets[1]		
- including performance component of the Manager's management fees	0.98	1.00
- excluding performance component of the Manager's management fees	0.98	1.00
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 2023.

(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 2023.

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 2023 US$'000	1H 2022 US$'000	Change %
Consolidated Statement of Comprehensive Income			
Gross revenue	99,568	100,418	(0.8)
Property operating expenses	(44,207)	(42,796)	3.3
Net property income	**55,361**	**57,622**	**(3.9)**
Interest income	105	3	>100
Manager's base fee	(3,795)	(4,597)	(17.4)
Trustee's fee	(139)	(150)	(7.3)
Other trust expenses	(1,410)	(1,462)	(3.6)
Finance expenses	(21,690)	(15,294)	41.8
Net income before tax and fair value changes	**28,432**	**36,122**	**(21.3)**
Net fair value change in derivatives	(116)	32,798	N.M.
Net fair value change in investment properties	(292,160)	1,574	N.M.
Loss on disposal of investment property	(253)	-	N.M.
Net (loss)/income for the period before tax	**(264,097)**	**70,494**	**N.M.**
Tax income/(expense)	16,461	(7,722)	N.M.
Net (loss)/income for the period attributable to Unitholders	**(247,636)**	**62,772**	**N.M.**

	1H 2023 US$'000	1H 2022 US$'000	Change %
Distribution Statement			
Net (loss)/income for the period	(247,636)	62,772	N.M.
Distribution adjustments	285,584	(16,806)	N.M.
Income available for distribution to Unitholders	**37,948**	**45,966**	**(17.4)**
Distribution amount to Unitholders	**-**	**45,966**	**(100.0)**

N.M.: Not meaningful

1H 2023 vs 1H 2022

Gross revenue of US$99.6 million for 1H 2023 was lower by 0.8%, largely due to the sale of Tanasbourne completed in April 2023, lower rental and recoveries income as a result of higher portfolio vacancy rate. This is partially offset by higher lease termination fee income of US$2.0 million and higher parking income.

Property operating expenses for 1H 2023 was US$44.2 million, an increase of US$1.4 million or 3.3% from 1H 2022, mainly due to higher property operating expenses such as repair and maintenance, property taxes, and utilities. As a result, the net property income for 1H 2023 was US$55.4 million, a decrease of US$2.3 million or 3.9% from 1H 2022.

Finance expenses for 1H 2023 was US$21.7 million, an increase of US$6.4 million or 41.8% from 1H 2022, largely due to loans being refinanced at higher interest rates in July 2022 and March 2023, higher interest cost on the unhedged loans, as well as additional RCF drawn down in 2022 to fund capital expenditures and leasing costs.

Net fair value loss on derivatives of US$0.1 million recognised in 1H 2023 was attributable to the fair valuation of interest rate swaps entered into to hedge against interest rate exposures.

Net fair value loss on investment properties of US$292.2 million in 1H 2023 was largely due to higher discount rates and terminal capitalisation rates for certain properties 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 is leading to higher vacancy levels and higher concession package assumptions needed to attract new tenants or retain tenants, giving rise to higher leasing costs.

Tax income of US$16.5 million 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 loss of US$247.6 million, compared to the net income of US$62.8 million recorded for 1H 2022. After adjusting for net fair value loss and other distribution adjustments, income available for distribution to Unitholders for 1H 2023 was US$37.9 million, 17.4% lower than 1H 2022. As a result of the breach of a loan covenant, the Trust is not able to declare any distribution for 1H 2023. Please refer to Note 6 on Loans and Borrowings for more details.

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

US real GDP is showing signs of stabilisation and may be rebounding as evidenced by annual growth rates of 2.0% and 2.4% in Q1 and Q2 2023, respectively. The US labor market continues to appear healthy with unemployment ending the half at 3.6%, slightly up from Q4 2022 (3.5%).

The Federal Reserve – in a continued effort to combat inflationary pressures – has kept its monetary stance by raising policy rates an additional 100 basis points so far in 2023. As a result, inflation is showing signs of alleviation; after peaking at a 9.1% annual rate in June 2022, inflation declined to 3.0% annual growth in June 2023. In addition to the Federal Reserve monetary policy, other factors that have contributed to inflation began to show signs of easing including supply chain constraints, pandemic restrictions, energy prices and consumer spending.

In terms of leasing demand and velocity in Q2 2023, there were mixed signals. According to JLL’s figures, the US office market began to show more encouraging signs in Q2 2023 with an increase of 11.6% in leasing activity quarter-over-quarter, with 35 of 53 markets experiencing quarter-over-quarter growth in leasing activity, the highest percentage since early 2021. On the other hand, CBRE’s data showed that leasing activity fell by 3% in that same time period (though this was an improvement over the 14% decrease in Q1 2023). Falling in between these two indicators, JLL’s data specific to MUST’s submarkets showed an increase in leasing activity of 8.2% quarter-over-quarter, but still well below historical averages. Despite Q2’s green shoots, occupancy has continued to decline with the first half of 2023, with JLL’s data showing negative net absorption of 33.2 million square feet, leaving the national occupancy rate at 79.4% down from 80.4% at Q4 2022, a 1.2% decline half-over-half. Sublease space is at historically high levels, up almost 25% year-over-year, with 194 million square feet available, according to CBRE. This accounts for 19% of available space and 5% of total office inventory, adding to the pressures on occupancy.

With committed occupancy of 85.1% and a long WALE of 4.9 years, the portfolio remains fairly well positioned to withstand additional market uncertainty from a slowing economy or weak occupational market in the office sector. The Manager continues to focus on asset, lease, and capital management, in addition to its commitment to sustaining and enhancing environmental, social and governance (ESG), and will selectively seek investment opportunities that deliver long term value to Unitholders.

VI DISTRIBUTION

(a) Current financial period

Any distribution declared for the current period?	As a result of the breach of a loan covenant, the Trust is not able to declare any distribution. Please refer to Note 6 on Loans and Borrowings for more details.

(b) Corresponding period of the immediately preceding financial period

Any distribution declared for the current period?	Yes – US 2.61 cents per Unit for the period from 1 January 2022 to 30 June 2022

Distribution period	1 January 2022 to 30 June 2022
Distribution type/rate	Distribution of US 2.61 cents per Unit comprising of two components: 1. Tax exempt income: US 2.21 cents 2. Capital: US 0.40 cent (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.

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 2023, 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)

Stephen James Blewitt Director	Veronica Julia McCann 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

Ling Chui Shee
Company Secretary
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)
14 August 2023