



LIPPO MALLS INDONESIA RETAIL TRUST

(Constituted in the Republic of Singapore pursuant to  
a trust deed dated 8 August 2007 (as amended))

## ANNOUNCEMENT

### PROPOSED ACQUISITION AND MASTER LEASES

*Unless otherwise indicated in this announcement, all conversions from Rupiah amounts into Singapore Dollar amounts in this announcement are based on an illustrative exchange rate of S\$1.00 to Rp.9,333.57 as at 31 December 2016.*

#### 1. INTRODUCTION

LMIRT Management Ltd., in its capacity as manager of Lippo Malls Indonesia Retail Trust (“**LMIR Trust**” and as manager of LMIR Trust, the “**Manager**”), is pleased to announce that LMIR Trust, through its wholly-owned Singapore-incorporated subsidiaries, has on 5 June 2017 entered into the following conditional share purchase agreements in relation to the acquisition of the entire issued share capital of PT Mitra Anda Sukses Bersama, a limited liability company incorporated in Indonesia (“**PT MASB**”, and the acquisition of PT MASB, the “**Kendari Acquisition**”):

- (i) Picon1 Holdings Pte. Ltd. (a wholly-owned subsidiary of LMIR Trust) (“**Picon1**”) has entered into a conditional share purchase agreement with PT Metropolis Propertindo Utama (“**PT MPU**”) pursuant to which Picon1 proposes to acquire 75.0% of the issued share capital of PT MASB from PT MPU;
- (ii) Picon2 Investments Pte. Ltd. (a wholly-owned subsidiary of LMIR Trust) (“**Picon2**”, and together with Picon1, the “**Purchasers**”) has entered into a conditional share purchase agreement with PT MPU pursuant to which Picon2 proposes to acquire 24.999% of the issued share capital of PT MASB from PT MPU; and
- (iii) Picon2 has entered into a conditional share purchase agreement with PT Metropolis Prima Sentosa (“**PT MPS**”) pursuant to which Picon2 proposes to acquire 0.001% of the issued share capital of PT MASB from PT MPS,

(collectively, the “**PT MASB Share Purchase Agreements**”).

PT MPU and PT MPS (collectively, the “**Vendors**”) are both limited liability companies incorporated in Indonesia. PT MPU is a company primarily involved in the development and ownership of investment properties and PT MPS is a subsidiary of PT MPU.

The Vendors are not related to any of the Manager, HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of LMIR Trust) (the “**Trustee**”) or PT Lippo Karawaci Tbk, the sponsor of LMIR Trust (the “**Sponsor**”). For the avoidance of doubt, the

Kendari Acquisition is not an Interested Person<sup>1</sup> transaction or an Interested Party<sup>2</sup> transaction under the listing manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”, and the listing manual of the SGX-ST, the “**Listing Manual**”) and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**Property Funds Appendix**”), respectively.

PT MASB had entered into a Build Operate and Transfer (“**BOT**”) agreement with the Government of Southeast Sulawesi (as the BOT grantor (the “**BOT Grantor**”)) dated 7 July 2011 (and as last amended on 29 December 2012) (the “**BOT Agreement**”) pursuant to which PT MASB (as the BOT grantee (the “**BOT Grantee**”)) was granted certain rights in relation to a parcel of land owned by the BOT Grantor including the right to obtain a Right to Build over such land, which has been issued to PT MASB pursuant to Right to Build (*Hak Guna Bangunan* or “**HGB**”) No. 00341/Bende (the “**BOT Land**”) expiring on 15 October 2040<sup>3</sup>, which includes the buildings situated on the BOT Land, comprising Lippo Plaza Kendari (the “**Property**”). While the BOT period provided for in the BOT Agreement is 30 years from 2 November 2012, under applicable Indonesian laws, the maximum term of the BOT Agreement cannot exceed 30 years from the date of signing of the BOT Agreement. Therefore, there is a possibility that the BOT Agreement would be considered terminated on the 30th anniversary from the time the BOT Agreement was originally signed on 7 July 2011 (i.e., until 7 July 2041) in which event, PT MASB would be required to hand over the BOT object (including the BOT Land and the Property) to the BOT Grantor.

Further details in respect of the structure of the Kendari Acquisition are set out at paragraph 2 below.

## **2. THE KENDARI ACQUISITION**

### **2.1 Description of BOT Land and Lippo Plaza Kendari**

The Property, which is located at Jalan MT Haryono No.61-63, Kendari, South East Sulawesi 93117, Indonesia, is a four-storey shopping mall with a car park area, with a net lettable area of 21,008 sq m. The Property commenced operations in November 2012. It is a mid-sized family mall situated in a residential area and provides a range of products and services which aims to provide for all family needs in one location. Its tenants include a variety of well-known retailers such as Matahari Department Store, Hypermart, Pizza Hut, Solaria, Cinemaxx and Timezone.

The BOT Land consists of, among others, an open vehicle parking area, driveways, drop-off areas, pavements and loading dock areas.

### **2.2 Structure of the Kendari Acquisition**

The Manager is seeking to acquire PT MASB, a company incorporated in Indonesia with its registered office at Gedung Berita Satu Plaza 8<sup>th</sup> floor, Jalan Gatot Subroto Kav 35-36, Kuningan Timur Sub-district, Setiabudi District, South Jakarta, for an aggregate purchase

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1 “**Interested Person**” has the meaning ascribed to it in the Listing Manual.

2 “**Interested Party**” has the meaning ascribed to it in the Property Funds Appendix.

3 The Manager has successfully renewed one HGB title for one of LMIR Trust’s properties, Binjai Supermall. The application for an extension must be made no later than two years prior to the expiration of the initial term at the National Land Office.

consideration of Rp.310.0 billion (S\$33.2 million)<sup>4</sup> from the Vendors (the “**Kendari Purchase Consideration**”), which is based on the BOT Term. PT MASB in turn, owns the Property.

PT MASB is 100.0% owned by the Vendors, being PT MPS and PT MPU, in the proportion 0.001% and 99.999% respectively. The Vendors are limited liability companies incorporated in Indonesia. LMIR Trust, through its wholly-owned subsidiaries, Picon1 and Picon2, will be acquiring the Property by purchasing the entire issued share capital of PT MASB. Following completion of the Kendari Acquisition, Picon1 and Picon2 will own 75.0% and 25.0% of the issued share capital of PT MASB respectively and LMIR Trust will, through PT MASB, hold the Property under a BOT scheme (the “**BOT Scheme**”)<sup>5</sup>.

**Appendix A** sets out a chart illustrating the structure under which the Property is proposed to be held by LMIR Trust upon completion of the Kendari Acquisition.

### 2.3 Valuation and Kendari Purchase Consideration

Although only one independent valuation is required as the Kendari Acquisition is not an Interested Party Transaction<sup>6</sup> or an Interested Person Transaction<sup>7</sup>, for good corporate governance and transparency, two independent property valuers, KJPP Willson dan Rekan (an affiliate of Knight Frank) (“**W&R**”) and KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. (“**Rengganis**”), have been appointed by the Trustee to value the Property. The Kendari Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into account the two independent valuations of the Property by W&R and Rengganis. Each valuation of the Property was made on the basis of the BOT Term. The valuations were derived by W&R and Rengganis using the income approach utilising the discounted cash flow method. This approach considers the subject property as an income producing property. The following table sets out the appraised values, the respective dates of such appraisal and the Kendari Purchase Consideration:

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4 Based on an illustrative rupiah exchange rate of S\$1.00 to Rp.9,333.57 as at 31 December 2016. The Kendari Purchase Consideration is subject to adjustments for the net assets or net liabilities of PT MASB.

5 The Property is under a BOT Scheme. A BOT Scheme is common in Indonesia for the following reasons:

- (a) freehold land in Indonesia may not be owned by companies (whether Indonesian or foreign-owned) or by foreign individuals. Under Indonesian land law, the closest form of land title to an internationally recognised concept of “freehold” title is *Hak Milik* or “Right of Ownership”. A *Hak Milik* title is available only to Indonesian individuals and certain Indonesian legal entities such as government banks and religious and social institutions appointed by the relevant Indonesian government authorities;
- (b) where ownership of the land is transferable, instead of transferring the ownership of the land, the land owner may prefer to use the BOT Scheme for commercial reasons (e.g. the land owner may not intend to transfer the ownership of the land because the land is located at commercially strategic locations or has historical value, or the land owner may have limited financial capability to develop the land). If the BOT grantor is an Indonesian Government that has the right over parcels of land under a Right to Use (*Hak Pakai*) or Right to Manage (*Hak Pengelolaan*), the BOT grantor may prefer to enter into a BOT agreement with a BOT grantee who are usually property developers with strong financial support and proven track records and may give rights to such BOT grantee to construct and operate the buildings over its land under a BOT Scheme; and
- (c) a BOT grantee may prefer to use the BOT Scheme because the costs for obtaining the build, operate and transfer rights could be considered as more price-feasible and cashflow-effective as compared to an outright purchase of the land and furthermore, by way of a BOT Scheme, a BOT grantee may be granted with rights to obtain a land title in the form of Right to Build (*Hak Guna Bangunan*) over the Right to Manage owned by the BOT grantor.

6 “Interested Party Transaction” has the meaning ascribed to it in paragraph 5 of the Property Funds Appendix.

7 “Interested Person Transaction” has the meaning ascribed to it under Chapter 9 of the Listing Manual.

Property	Appraised Value							
	By W&R as at 31 December 2016		By Rengganis as at 31 December 2016		Average of two valuations		Purchase Consideration	
	(S\$ million) <sup>(1)</sup>	(Rp. Billion)	(S\$ million) <sup>(1)</sup>	(Rp. Billion)	(S\$ million) <sup>(1)</sup>	(Rp. Billion)	(S\$ million) <sup>(1)</sup>	(Rp. Billion)
Property .....	32.4	302.6	33.8	315.6	33.1	309.1	33.2 <sup>(2)</sup>	310.0
Property (without Master Leases (as defined below)...	30.8	287.9	32.4	302.9	31.6	295.4		

**Notes:**

- (1) Based on an illustrative rupiah exchange rate of S\$1.00 to Rp.9,333.57 as at 31 December 2016.
- (2) This reflects the amount which LMIR Trust will pay for the Property. As LMIR Trust will be acquiring the Property indirectly through PT MASB, the actual price which LMIR Trust will pay will be subject to the adjustment for the consolidated net assets or net liabilities of PT MASB as at the completion date of the Kendari Acquisition.

The Kendari Purchase Consideration represents a discount of 1.8% to the higher of the two independent valuations and a premium of 0.3% to the average of the two independent valuation of the Property.

## 2.4 Kendari Acquisition Cost

The total cost of the Kendari Acquisition, comprising the Kendari Purchase Consideration of S\$33.2 million<sup>8</sup>, the acquisition fee<sup>9</sup> of S\$0.3 million (the “**Kendari Acquisition Fee**”) payable to the Manager pursuant to the Trust Deed which may be payable in the form of cash and/or Units as the Manager may elect, as well as the professional and other fees and expenses of approximately S\$0.5 million to be incurred by LMIR Trust in connection with the Kendari Acquisition, is estimated to be approximately S\$34.0 million (the “**Kendari Acquisition Cost**”).

## 2.5 Method of Financing

The Kendari Purchase Consideration will be paid in cash. The Kendari Acquisition Cost is expected to be financed via proceeds from issuance of perpetual securities and/or debt financing facilities from banks. The final decision regarding the method of financing to be employed will be made at the appropriate time taking into account the relevant market conditions.

## 2.6 Conditions Precedent to the Completion of the Kendari Acquisition

Completion of the Kendari Acquisition under the PT MASB Share Purchase Agreements is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following conditions precedent:

- 2.6.1** Picon1 and Picon2 being reasonably satisfied with the results of its due diligence on the Property and PT MASB including but not limited to legal, financial, building and

8 Based on an illustrative rupiah exchange rate of S\$1.00 to Rp.9,333.57 as at 31 December 2016. The Kendari Purchase Consideration is subject to adjustment for the consolidated net assets or net liabilities of PT MASB as at the completion date of the Kendari Acquisition.

9 Being 1.0% of the Kendari Purchase Consideration.

other forms of due diligence which the Manager and/or the Trustee may consider to be relevant;

- 2.6.2** there being no breach of the warranties which, in the reasonable opinion of Picon1 and Picon2, acting on the recommendation of the Manager, will or is likely to have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of the Property or PT MASB, in each case taken as a whole;
- 2.6.3** the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals (including the waiver(s) referred to in the PT MASB Share Purchase Agreements) necessary for or in respect of the proposed acquisition of PT MASB having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to Picon1 and Picon2 and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect;
- 2.6.4** entry into the Deed of Indemnity;
- 2.6.5** the simultaneous completion of the PT MASB Share Purchase Agreements;
- 2.6.6** the obtainment of written confirmation from the BOT Grantor confirming (i) that all contributions payable by PT MASB to the BOT Grantor under the BOT Agreement in the amount of Rp 6,714,480,333 have been fully paid and no payments remain outstanding from the BOT Grantee to the BOT Grantor under the BOT Agreement (except for the monthly contingent parking fee contribution as set out under the BOT Agreement); and (ii) that the Latest BOT Amendment (as referred to in the PT MASB Share Purchase Agreements) is the last BOT Agreement that binds the parties and the Notarial Deed BOT Agreement (as referred to in the PT MASB Share Purchase Agreements) has been terminated;
- 2.6.7** no written notice having been issued by the Manager to Picon1 and Picon2 before the Completion Date that, in the Manager's reasonable opinion, the market conditions then prevailing are not conducive for (i) the raising of adequate funds and/or (ii) the raising of funds on reasonable terms or in a manner that will be beneficial to the overall interests of LMIR Trust and the unitholders of LMIR Trust, for the purpose of completing the purchase of the Property;
- 2.6.8** LMIR Trust securing sufficient financing to undertake the purchase of PT MASB and the agreement for such financing not having been terminated and being unconditional in all respects;
- 2.6.9** PT MASB having confirmed in writing that no creditor objections were received by it following the publishing of the newspaper announcement referred to in the PT MASB Share Purchase Agreements;
- 2.6.10** all of PT MASB's employees have been terminated or resigned from PT MASB;
- 2.6.11** all (a) salaries, wages, compensations, severance, benefits and other amounts payable to all employees of PT MASB as a result of such termination and/or resignation referred to in paragraph 2.6.10 above have been fully paid and settled and (b) obligations (including tax obligations) and liabilities on all employees related matters have been fulfilled and/or paid;

- 2.6.12 the execution by PT MASB of a statement letter (a) on the date of the PT MASB Share Purchase Agreements and (b) on the Completion Date confirming that as at the date of the statement letter, PT MASB has (i) no liabilities and indebtedness save for those recorded in the audited financial statements of PT MASB as of 31 December 2016, (ii) no assets and/or property other than in connection with the operation of the Property and (iii) no claim, rejection, warning and/or suit submitted to PT MASB from any party including creditors of PT MASB with respect to the proposed acquisition of the entire share capital of PT MASB by Picon1 and Picon2 from the Vendors;
- 2.6.13 the granting of non-interest bearing and un-secured loan from PT MPU to PT MASB for full repayment of a bank loan to PT Bank Mega Tbk using proceeds received by PT MASB from such loan;
- 2.6.14 Picon1 and Picon2 have obtained from PT MPU, a copy of the letter from PT Bank Mega Tbk in the form and content acceptable to Picon1 and Picon2, confirming that (i) the Bank Mega Loan has been fully repaid; (ii) PT MASB has no outstanding loan to PT Bank Mega Tbk; and (iii) the pledge of shares of PT MASB (and other securities, if any) are effectively released and discharged; and
- 2.6.15 the due execution of the Master Leases in the form and substance to be agreed by PT MASB and the relevant master lessees and acceptable to the Trustee.

## 2.7 Indemnity in relation to the PT MASB Share Purchase Agreements

The Trustee has also entered into a deed of indemnity with PT MPU pursuant to which PT MPU will, subject to certain conditions, indemnify the Trustee against liabilities or damages suffered by the Trustee arising from the PT MASB Share Purchase Agreements (the “**Deed of Indemnity**”).

## 2.8 Master Lease Agreements

Immediately prior to completion of the Kendari Acquisition, PT MASB (as lessor) will enter into the following leases with PT MPU (as master lessee):

- (i) a casual leasing space lease agreement pursuant to which a lease over the casual leasing space of the Property of 761 sq m will be granted to PT MPU for an annual rental of Rp.4,583 million, an amount which was arrived at after negotiations with PT MPU on an arms’ length basis; and
- (ii) a specialty area lease agreement pursuant to which a lease over the specialty tenants areas of the Property of 3,911 sq m will be granted to PT MPU for an annual rental of Rp.10,517 million, an amount which was arrived at after negotiations with PT MPU on an arms’ length basis,

(collectively, the “**Master Lease Agreements**”).

The leases pursuant to the Master Lease Agreements (the “**Master Leases**”) will be granted for a lease term of five years each, commencing from the date of completion of the Kendari Acquisition.

The master lessee shall have the full right to sub-let the Master Leases without the prior written consent of PT MASB on the condition that the terms under the sub-lease(s) do not exceed the terms under the relevant Master Lease. If the master lessee intends to sub-let the Master Leases on terms which exceed the terms under the relevant Master Lease or on terms

expiring less than six months prior to the terms under the relevant Master Lease, the master lessee would be required to obtain the consent of PT MASB.

The master lessee is prohibited from assigning its rights and obligations under the Master Lease Agreements to any other party without the prior written consent of PT MASB.

The master lessee will be responsible for the payment of all service charges which are required to cover the maintenance and operating expenses in relation to the respective areas in the Property which are subject to the Master Leases.

#### Assessment of the Master Leases

The Manager understands from PT MPU and PT MPS that the actual rental received by the master lessee from the underlying tenants of the Master Leases for the financial year ended 31 December 2016 (“**FY2016**”) is Rp.3.6 billion in respect of the specialty tenants area and Rp.1.9 billion in respect of the casual leasing area. The total actual rental income received from the underlying tenants of the Master Leases for FY2016 is Rp.5.5 billion, which represents approximately 36.4% of the total annual rental income under the Master Leases of Rp.15.1 billion and 16.7% of the total gross revenue for the Property for FY2016 of Rp.32.9 billion.

The Property is still in its infancy stage, having commenced operations in late 2012, and it requires time for its rental and occupancy rates to stabilise and reach full market rental levels. In addition, in an effort to improve tenancy zoning and traffic circulation of the mall, PT MPU has committed, at its own cost, to provide an asset enhancement initiative to the mall mainly to convert part of the existing major tenants area into specialty tenants area and casual leasing area.

The Manager understands from the master lessee and the property manager of LMIR Trust that the current average underlying rental rates of the areas under the Master Leases are low as some tenants are still enjoying concessionary rental rates. In addition, there will be disruption to the rental income during the asset enhancement period. The Manager has therefore put in place the Master Leases to allow LMIR Trust to benefit from the additional stability of rental income and downside protection during the initial ramping up period as the mall continues to mature. The total annual rental income under the Master Leases of Rp. 15.1 billion represents approximately 45.9% of the total gross revenue for the Property for FY2016 of Rp.32.9 billion. The details of the Master Leases are set out in **Appendix C**.

However, over a period of five years from the time the Property is acquired by LMIR Trust, as the mall matures and stabilises, the Manager expects the utilisation and occupancy rates of the areas under the Master Leases to increase and the underlying rental rates to appreciate to levels consistent with market rates. This is supported by W&R and Rengganis’ view that in relation to the Master Lease Agreements, for specialty tenants area and casual leasing area, the contractual base rent in the fifth year is relatively similar with their projected market rent in that year, and therefore the total underlying revenue from the Master Leases is sustainable from the sixth year onwards. The valuers’ projection for the total underlying revenue from the Master Leases is as follows:

Year	Revenue from Master Leases (Rp. Billion)	As per Valuation Reports - Underlying Revenue from areas under Master Leases (Rp. Billion)	
		W&R	Rengganis
1	15.1	5.8	5.9
2	15.1	8.1	9.7
3	15.1	10.0	12.3
4	15.1	12.0	13.1
5	15.1	13.9	14.5
6	-	15.1	15.4

The Manager believes that given:

- (i) the Property's strategic location in the heart of Kendari, the capital of Southeast Sulawesi, which is expected to benefit from the local government's efforts to boost economy through a slew of major infrastructure projects;
- (ii) asset enhancement initiative mainly to convert part of the existing major tenants area into specialty tenants area and casual leasing area to improve tenancy zoning and traffic circulation. The rental rates from leasing of specialty tenants space and casual leasing space are expected to be higher than that of major tenants space; and
- (iii) the view of W&R and Rengganis that the total underlying revenue from the Master Leases is sustainable from the sixth year onwards,

the rentals under the Master Leases are sustainable by the underlying tenants of the Property after the expiry of the Master Leases.

The Manager had considered the implied rental levels of the Master Leases and is of the view that these rates are commensurate with a mall of the Property's positioning.

Pursuant to the guidance note to paragraph 7.1(a) of the Property Funds Appendix, a property would be considered income-producing if its yield (without any arrangement which could artificially enhance the yield of the property) is greater than the risk-free rate. For the purposes of paragraph 7.1(a) of the Property Funds Appendix, the yield of the Property (without taking into account the Master Leases) on a standalone basis is higher than the risk-free rate<sup>10</sup> and is therefore considered income-producing for purposes of the Property Funds Appendix.

## 2.9 Related Tenancy Agreements relating to the Property

Upon completion of the Kendari Acquisition, LMIR Trust will, through PT MASB, take over all of the tenancy agreements with respect to the Property, which has been entered into by PT MASB, including various tenancy agreements entered into by certain associates and subsidiaries of the Sponsor (the "**Related Tenancy Agreements**"). The aggregate rental fees derived or to be derived from the Related Tenancy Agreements is estimated at Rp.51.8 billion (S\$5.5 million) as at 31 December 2016. The amount of space taken up and the value of each of the Related Tenancy Agreements are set out in **Appendix B**. The percentage of net tangible assets ("**NTA**") and net asset value ("**NAV**") accounted for by the Related Tenancy Agreements is also set out in **Appendix B**.

<sup>10</sup> For the purposes of paragraph 7.1(a) of the Property Funds Appendix, the risk-free rate will be taken as the highest yield of 5-year Singapore Government Securities for the 12 months preceding the date of the valuation reports for the Property.

The rental rates under the Related Tenancy Agreements are comparable to the rental rates of leases signed with other malls within LMIR Trust's existing portfolio, after taking into account the differences between each mall. The rental rates under the Related Tenancy Agreements are also comparable to the market rental rates according to the independent valuers' opinion in the valuation report, as shown below:

No	Tenant	Area (sqm)	Actual Rental Rate (Rp. per sqm/month)	W&R	Rengganis
				Market Rental Rate (Rp. per sqm/month)	Market Rental Rate (Rp. per sqm/month)
1	Matahari	6,577.60	35,000	35,962	70,847
2	Hypermart	5,642.39	65,300	67,484	67,473
3	Cinemaxx	1,605.21	0 <sup>(1)</sup>	34,399	33,736
4	Timezone	489.51	88,000	71,772	103,786
5	Bank Nobu	70.74	70,000 <sup>(2)</sup>	175,372	179,928

**Notes:**

- (1) Currently within 6 months' rent free grace period. The rental rate after the grace period is Rp. 34,399 per sqm /month, with annual step-up of 4.5% until the expiry of the lease.
- (2) Concessionary rental rate was provided due to a corporate deal whereby Bank Nobu signed multiple lease agreements in various malls (including LMIR Trust's malls) managed by the property manager at the same rental rate.

## 2.10 Capital Expenditure

Pursuant to the PT MASB Share Purchase Agreements, the Vendors have also undertaken to pay for certain capital expenditures in relation to the Property amounting to an aggregate of approximately Rp. 1.6 billion (S\$0.17 million).

## 3. RATIONALE FOR THE KENDARI ACQUISITION

The Manager believes that the Kendari Acquisition will bring, among others, the following key benefits to unitholders of LMIR Trust ("**Unitholders**"):

### 3.1 Strategic acquisition of a retail mall which is in the heart of Kendari, the capital of Southeast Sulawesi

The Property is a family mall strategically located in the heart of Kendari, the capital of Southeast Sulawesi. Kendari's economy is mostly agricultural with some industrial centres near the city. It has a population of over 300,000 people with improving economic fundamentals including a decrease in poverty rate from 13% in 2008 to 5% in 2016, and an annualised growth rate in GDP per capita of 8.9% (from 2011 to 2015), which translates to higher disposable income for the people of Kendari.

The government of Sulawesi has rolled out a series of major infrastructure projects to improve connectivity and spur economic development in Southeast Sulawesi, including a railway network which will connect all major cities in Sulawesi. The Manager believes that the Property would benefit from such developments in the region.

Further, there is minimal competition in the near future for retail space in the Property's vicinity. The Property is also well-positioned for LMIR Trust's targeted market segment of

Indonesia's expanding and prospering urban middle class segment and tenants include well-known retailers such as Matahari Department Store, Hypermart, Pizza Hut and Solaria.

### **3.2 Opportunity to Increase the Size and Enhance the Earnings of LMIR Trust**

Based on the pro forma financial statements for the year ended 31 December 2016, the Net Property Income (as defined below) contribution from the Property was S\$3.0 million, which represents, on a historical pro forma basis, a 1.7% increase in LMIR Trust's Net Property Income for the year ended 31 December 2016. Upon completion of the acquisition, the size of LMIR Trust's portfolio is estimated to increase by approximately 1.6%, from S\$2,065.2 million (as at 31 December 2016) to S\$2,098.4 million.

### **3.3 Increased Economies of Scale in Operations, Marketing and Financing**

The Kendari Acquisition will enable LMIR Trust to enlarge its presence in the retail mall sector in Indonesia and to benefit from increased economies of scale as the Manager and the property manager(s) of the Enlarged Portfolio<sup>11</sup> can potentially spread certain operating costs (for example, staff and personnel costs) over a larger portfolio, and increase their bargaining power with suppliers and service providers.

The Kendari Acquisition is also expected to deliver economies of scale and benefit the marketing and leasing activities of LMIR Trust by expanding and deepening LMIR Trust's portfolio of key tenant relationships, especially with tenants of the Property which are currently not tenants of LMIR Trust's existing malls. Given the Kendari Acquisition will enlarge LMIR Trust's asset value and capital base, LMIR Trust can expect to benefit from increased economies of scale in obtaining debt and equity financing.

### **3.4 Diversification of Asset Portfolio to Minimise Concentration Risk**

The Kendari Acquisition will allow LMIR Trust to diversify its portfolio geographically across Indonesia as well as improve the diversification of its tenant base, thereby reducing tenant and asset concentration risks within LMIR Trust's Enlarged Portfolio. The Manager believes that further income diversification potentially results in greater resilience and stability of income for LMIR Trust, thus benefiting its Unitholders.

## **4. MAJOR TRANSACTIONS**

### **4.1 Major Transactions – Chapter 10 of the Listing Manual**

A proposed acquisition by LMIR Trust may fall into any of the categories set out in Rule 1004 of the Listing Manual depending on the size of the relative figures computed on the following bases of comparison as stated in Rule 1006 of the Listing Manual:

- (i) the net asset value of the assets to be disposed of, compared with net asset value (not applicable to the Kendari Acquisition);
- (ii) the net profits attributable to the assets acquired, compared with LMIR Trust's net profits;
- (iii) the aggregate value of the consideration given, compared with LMIR Trust's market capitalisation; and

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<sup>11</sup> "Enlarged Portfolio" consists of the Property and LMIR Trust's existing portfolio.

- (iv) the number of equity securities issued as consideration for an acquisition, compared with the number of equity securities previously in issue (not applicable to the Kendari Acquisition).

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a “major transaction” under Rule 1014 of the Listing Manual which would be subject to the approval of Unitholders, unless such transaction is in the ordinary course of LMIR Trust’s business.

None of the relative figures in relation to the Kendari Acquisition computed on the bases set out above exceed 20.0%. Furthermore, the Kendari Acquisition is not a major transaction under Chapter 10 of the Listing Manual as it is within LMIR Trust’s ordinary course of business.

However for the purposes of illustration to Unitholders, the relative figures for the Kendari Acquisition using the applicable bases of comparison described in sub-paragraphs 4.1.1(ii) and 4.1.1(iii) are set out in the table below.

Comparison of:	The Property	LMIR Trust	Relative Figure
Net Property Income <sup>(1)</sup>	The Property: S\$3.0 million	S\$171.9 million <sup>(2)</sup>	1.7%
Purchase Consideration against LMIR Trust’s market capitalisation	The Property: S\$33.2 million <sup>(3)</sup>	LMIR Trust’s market capitalisation: S\$1,200.2 million <sup>(4),(5)</sup>	2.8%

**Notes:**

- (1) In the case of a real estate investment trust, the Net Property Income is a close proxy to the net profits attributable to its assets. “**Net Property Income**” comprises property revenue including rent contracted under the master lease agreements less other property expenses (where applicable).
- (2) Based on the audited financial statements of LMIR Trust and its subsidiaries for the financial year ending 31 December 2016 (the “**FY2016 Audited Financial Statements**”).
- (3) Does not include transaction costs.
- (4) Based on the closing price of S\$0.425 per Unit on the SGX-ST on the date preceding this announcement.
- (5) Based on Units in issue as at the date preceding this announcement.

## 5. INTERESTED PERSON TRANSACTION AND INTERESTED PARTY TRANSACTION

### 5.1 Disclosure Requirements

As at the date of this announcement, the Manager has a direct interest in 142,611,671 Units (comprising 5.05% of the total number of issued Units). The Manager is wholly-owned by Peninsula Investment Limited (“**Peninsula**”), a wholly-owned subsidiary of Jesselton Investment Ltd which is in turn a wholly-owned subsidiary of the Sponsor. The Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 29.85% in LMIR Trust and (ii) 100% in the Manager, and is therefore regarded as a “Controlling Unitholder”<sup>12</sup> of LMIR Trust and a “Controlling Shareholder”<sup>13</sup> of the Manager respectively under both the Listing Manual and the Property Funds Appendix.

<sup>12</sup> “**Controlling unitholder**” means a person who:

- (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or
- (b) in fact exercises control over the property fund.

Under Chapter 9 of the Listing Manual of the SGX-ST, where LMIR Trust proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same person during the same financial year) is equal to or exceeds 3.0% of LMIR Trust's latest audited net tangible assets ("**NTA**"), LMIR Trust must make an immediate announcement.

Prior to the Kendari Acquisition, the total value of Interested Person Transactions (excluding the Related Tenancy Agreements set out in **Appendix B**) between LMIR Trust and the Sponsor and/or its associates, for the current financial year, is approximately S\$35.7 million, which is approximately 2.94% of the latest audited NTA of LMIR Trust as at 31 December 2016.

As at the date of this announcement, the total value of Interested Person Transactions (including the Related Tenancy Agreements) between LMIR Trust and the Sponsor and/or its associates, for the current financial year, is approximately S\$41.2 million, which is approximately 3.40% of the latest audited NTA of LMIR Trust as at 31 December 2016. The Manager is therefore making this announcement in compliance with the requirements of the Listing Manual.

As at the date of this announcement, the total value of all Interested Person Transactions (including the Related Tenancy Agreements) for the same financial year is the same as the total value of Interested Person Transactions between LMIR Trust and the Sponsor and/or its associates.

## **5.2 Audit and Risk Committee Statement**

Having considered the rationale for the Kendari Acquisition and given that the rental rates under the Related Tenancy Agreements are comparable to the rental rates of leases signed with other malls within LMIR Trust's existing portfolio, after taking into account the differences between each mall, the audit and risk committee of the Manager, comprising Mr Lee Soo Hoon Phillip, Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Douglas Chew, is of the view that the Related Tenancy Agreements are made on normal commercial terms and are not prejudicial to the interests of LMIR Trust and its minority Unitholders.

## **6. PRO FORMA FINANCIAL EFFECTS OF THE KENDARI ACQUISITION**

### **6.1 Pro Forma Financial Effects of the Kendari Acquisition**

#### **FOR ILLUSTRATIVE PURPOSES ONLY:**

**The Pro Forma Financial Effects are for illustrative purposes and does not represent LMIR Trust's Financial Effects following completion of the Kendari Acquisition.**

The pro forma financial effects of the Kendari Acquisition presented below are **strictly for illustrative purposes only** and were prepared based on the audited financial statements of LMIR Trust and its subsidiaries for the FY2016 ("**FY2016 Audited Financial Statements**"), assuming:

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13 "**Controlling shareholder**" means a person who:

- (c) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company; or
- (d) in fact exercises control over a company.

- (a) the Kendari Acquisition Cost, comprising the Kendari Purchase Consideration, the Kendari Acquisition Fee, as well as the professional and other fees and expenses, is S\$34.0 million;
- (b) the purchase consideration will be paid to the Vendors in cash, of which S\$15 million is funded by proceeds from the issuance of perpetual securities and S\$19 million is funded by debt financing facilities from banks; and
- (c) taking into account the revenue that LMIR Trust would receive from the Master Leases.

## 6.2 Financial Year ended 31 December 2016

### Pro Forma DPU

The pro forma financial effects of the Kendari Acquisition on the DPU for the financial year ended 31 December 2016, as if LMIR Trust had purchased the Property on 1 January 2016, and held and operated the Property through to 31 December 2016, are as follows:

	<b>FY2016</b>	
	<b>Before the Kendari Acquisition<sup>(1)</sup></b>	<b>After the Kendari Acquisition</b>
Distributable Income (S\$'000)	95,468	95,781
Units in issue and to be issued	2,802,992,873	2,803,321,821 <sup>(2)</sup>
DPU (cents)	3.41	3.42
Distribution Yield <sup>(3)</sup>	9.22%	9.24%

**Notes:**

- (1) Based on the FY2016 Audited Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the performance fee as a result of additional Net Property Income after the Acquisitions.
- (3) Based on the DPU divided by the closing price on 30 December 2016 of S\$0.37.

### Pro Forma NAV per Unit

The pro forma financial effects of the Kendari Acquisition on the NAV per Unit as at 31 December 2016, as if LMIR Trust had purchased the Property on 31 December 2016, are as follows:

	<b>As at 31 December 2016</b>	
	<b>Before the Kendari Acquisition<sup>(1)</sup></b>	<b>After the Kendari Acquisition</b>
NAV (S\$'000)	1,091,688	1,091,688
Units in issue and to be issued	2,802,992,873	2,802,992,873
NAV per Unit (cents)	38.95	38.95

**Note:**

- (1) Based on the FY2016 Audited Financial Statements.

## Pro Forma capitalisation

The following table sets forth the pro forma capitalisation of LMIR Trust as at 31 December 2016, as if LMIR Trust had purchased the Property on 31 December 2016.

	As at 31 December 2016	
	Actual	As adjusted for the Kendari Acquisition
	(S\$'000)	(S\$'000)
<b>Short-term debt:</b>		
Unsecured	125,000	125,000
Secured	-	-
Total short-term debt	125,000	125,000
<b>Long-term debt:</b>		
Unsecured	380,710	399,710
Secured	145,000	145,000
Total long-term debt	525,710	544,710
Total Debt	650,710	669,710
Unitholders funds	1,091,688	1,091,688
Perpetual securities holders' funds	140,867	155,867
<b>Total Capitalisation</b>	<b>1,883,265</b>	<b>1,917,265</b>

## 7. OTHER INFORMATION

### 7.1 Interests of Directors and Substantial Unitholders<sup>14</sup>

#### 7.1.1 Interests of Directors of the Manager

As at the date of this announcement, the details of the unitholdings of the directors of the Manager ("**Directors**") are as follows:

<sup>14</sup> "**Substantial Unitholders**" refers to Unitholders with an interest in more than 5.0% of all Units in issue.

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Mr Albert Saychuan Cheok	400,000	0.014	-	-	400,000	0.014
Mr Lee Soo Hoon, Phillip	-	-	-	-	-	-
Mr Goh Tiam Lock	-	-	-	-	-	-
Mr Douglas Chew	-	-	-	-	-	-
Mr Ketut Budi Wijaya	-	-	-	-	-	-
Ms Chan Lie Leng	-	-	-	-	-	-

**Note:**

(1) Percentage interest is based on 2,823,987,723 Units in issue as at the date of this announcement.

Save as disclosed above and based on information available to the Manager, none of the Directors has an interest, direct or indirect, in the Kendari Acquisition.

### 7.1.2 Interests of Substantial Unitholders

As at the date of this announcement, the details of the unitholdings of the Substantial Unitholders are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Bridgewater International Ltd ("BIL")	700,444,940	24.80	-	-	700,444,940	24.80
PT Sentra Dwimandiri ("PTSD") <sup>(2)</sup>	-	-	700,444,940	24.80	700,444,940	24.80
The Sponsor <sup>(3)</sup>	-	-	843,056,611	29.85	843,056,611	29.85
Wealthy Fountain Holdings Inc	202,938,500	7.19	-	-	202,938,500	7.19
Shanghai Summit Pte Ltd <sup>(4)</sup>	-	-	224,938,500	7.97	224,938,500	7.97
Tong Jinquan <sup>(5)</sup>	-	-	224,938,500	7.97	224,938,500	7.97
The Manager	142,611,671	5.05	-	-	142,611,671	5.05

**Notes:**

- (1) Percentage interest is based on 2,823,987,723 Units in issue as at the date of the Latest Practicable Date.
- (2) BIL is controlled by PTSD. PTSD is therefore deemed to be interested in 700,444,940 Units in which BIL has an interest.
- (3) BIL is controlled by PTSD, which is in turn controlled by the Sponsor. The Sponsor is therefore deemed to have an interest in 700,444,940 Units in which BIL has an interest. In addition, the Manager is controlled by Peninsula, which in turn is controlled by the Sponsor. The Sponsor is therefore also deemed to be interested in 142,611,671 Units held by the Manager.
- (4) Shanghai Summit Pte Ltd is the sole shareholder of Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd and is therefore deemed to be interested in 202,938,500 Units held by Wealthy Fountain Holdings Inc and 22,000,000 Units held by Skyline Horizon Consortium Ltd.
- (5) Tong Jinquan is the sole shareholder of Shanghai Summit Pte Ltd which is the sole shareholder of Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd and accordingly is deemed to be interested in 202,938,500 Units held by Wealthy Fountain Holdings Inc and 22,000,000 Units held by Skyline Horizon Consortium Ltd.

As at the date of this announcement, the Sponsor, through its indirect wholly-owned subsidiaries BIL and through its 100.0% interest in the Manager, holds an aggregate indirect interest of 29.85% in LMIR Trust and is deemed to be a Controlling Unitholder of LMIR Trust.

## **7.2 Directors' Service Contracts**

No person is proposed to be appointed as a Director in relation to the Kendari Acquisition or any other transactions contemplated in relation to the Kendari Acquisition.

## **8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 50 Collyer Quay, #06-07, OUE Bayfront, Singapore 049321 from the date of this announcement up to and including the date falling three months thereafter<sup>15</sup>:

- (i) the PT MASB Share Purchase Agreements;
- (ii) the full valuation report on the Property issued by W&R;
- (iii) the full valuation report on the Property issued by Rengganis;
- (iv) the Deed of Indemnity; and
- (v) the FY2016 Audited Financial Statements.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as LMIR Trust continues to be in existence.

By Order of the Board

LMIRT MANAGEMENT LTD.

(as manager of Lippo Malls Indonesia Retail Trust)

(Company registration number: 200707703M)

Chan Lie Leng

Executive Director and Chief Executive Officer

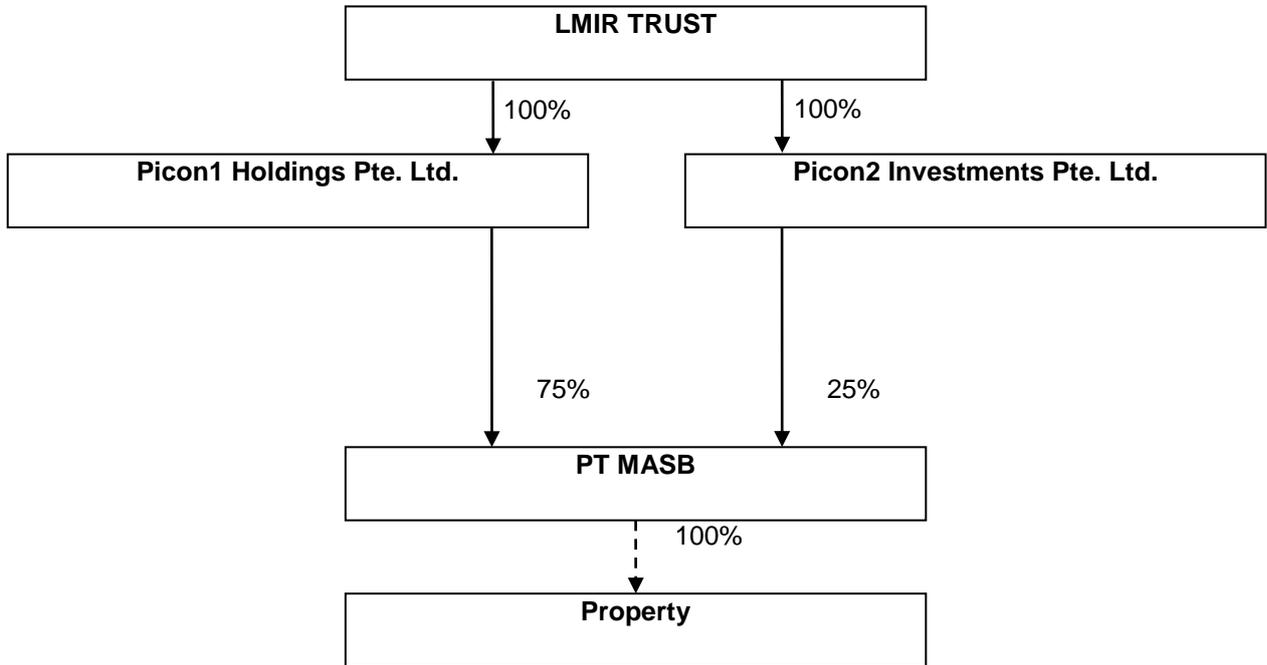
5 June 2017

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<sup>15</sup> Prior appointment with the Manager (telephone: +65 6410 9138) will be appreciated.

**APPENDIX A**

**Chart illustrating the structure under which the Property is proposed to be held by LMIR Trust upon completion of the Kendari Acquisition**



**APPENDIX B**  
**Related Tenancy Agreements**

No.	Interested person	Nature of transaction	Area (sq m)	Start date	Term (years)	Value of transaction (Rp.) <sup>(1)</sup>	Value of transaction (S\$) <sup>(2)</sup>	Percentage of NTA <sup>(3)</sup>	Percentage of NAV <sup>(4)</sup>
1	PT Matahari Department Store Tbk	Lease Agreement	6,577.60	10 November 2012	11	18,877,720,610	2,022,562	0.17%	0.16%
2	PT Matahari Putra Prima Tbk	Lease Agreement	5,642.39	2 November 2012	10	28,235,648,038	3,025,171	0.25%	0.25%
3	PT Cinemaxx Global Pasifik	Letter of Lease Approval ( <i>Surat Persetujuan Sewa</i> )	1,605.21	24 March 2017	5	3,293,630,876	352,880	0.03%	0.03%
4	PT Matahari Graha Fantasi	Lease Agreement	489.51	14 December 2012	5	516,922,560	55,383	0.00% <sup>(5)</sup>	0.00% <sup>(5)</sup>
5	PT Bank National Nobu Tbk	Lease Agreement	70.74	13 December 2013	5	124,502,400	13,339	0.00% <sup>(5)</sup>	0.00% <sup>(5)</sup>
6	PT Maxx Coffee Prima	Memorandum of Understanding ( <i>Kesepakatan Sewa Menyewa</i> )	90.40	17 November 2016	3	- <sup>(6)</sup>	-	-	-
7	PT Lippo General Insurance Tbk	Property All Risk Insurance	-	31 March 2017	1	377,050,662 <sup>(7)</sup>	40,397	0.00% <sup>(5)</sup>	0.00% <sup>(5)</sup>
8	PT Lippo General Insurance Tbk	Earthquake Insurance	-	31 March 2017	1	296,407,347 <sup>(7)</sup>	31,757	0.00% <sup>(5)</sup>	0.00% <sup>(5)</sup>
9	PT Lippo General Insurance Tbk	Terrorism and Sabotage Insurance	-	30 September 2016	1	40,035,222 <sup>(7)</sup>	4,289	0.00% <sup>(5)</sup>	0.00% <sup>(5)</sup>
10	PT Lippo General Insurance Tbk	Public Liability Insurance	-	31 December 2016	1	6,803,865 <sup>(7)</sup>	729	0.00% <sup>(5)</sup>	0.00% <sup>(5)</sup>
					<b>Total:</b>	<b>51,768,721,580</b>	<b>5,546,508</b>	<b>0.46%</b>	<b>0.45%</b>

**Notes:**

(1) Value of remaining contract tenure from 1 January 2017 onwards.

(2) Based on the illustrative rupiah exchange rate of S\$1.00 is to Rp. 9,333.57 as at 31 December 2016.

- (3) Based on the NTA of LMIR Trust of S\$1,213.3 million as at 31 December 2016.
- (4) Based on the NAV of LMIR Trust of S\$1,232.6 million as at 31 December 2016.
- (5) Less than 0.01%.
- (6) The rental payable by PT Maxx Coffee Prima is equal to 4% of its revenue generated at the Property.
- (7) Actual premiums payable are in US dollars, converted to rupiah based on an illustrative exchange rate of USD1.00 is to Rp. 13,473.

**APPENDIX C**  
**Master Leases**

The following table sets out additional details of each of the Master Leases and the underlying performance of the respective areas under each of the Master Leases as at and for the financial year ended 31 December 2016:

Areas	Area (sqm)	Annual Rental Income		Monthly Rental Rate		Occupancy Rate	
		Master Lease	Underlying Performance	Master Lease	Underlying Performance <sup>(1)</sup>	Master	Underlying
Casual Leasing	761	Rp. 4.6 billion	Rp. 1.9 billion	Rp. 16,728 (per sqm/day)	Rp. 15,000 (per sqm/day)	100%	47%
Specialty	3,911	Rp.10.5 billion	Rp. 3.6 billion	Rp. 224,086 (per sqm/month)	Rp. 71,198 (per sqm/month)	100%	90%
<b>Total</b>	-	Rp.15.1 billion	Rp. 5.5 billion	-	-	-	-

**Notes:**

- (1) PT MPU has committed, at its own cost, to provide an asset enhancement initiative to the mall mainly to convert part of the existing major tenants area into specialty tenants area and casual leasing area to improve rentals. The areas that will undergo asset enhancement will form part of the Master Leases.

**Important Notice**

The value of 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 or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of LMIR Trust is not necessarily indicative of the future performance of LMIR Trust.

This document may contain forward-looking statements that involve 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 property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.