LIPPO MALLS INDONESIA RETAIL TRUST

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

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS AND THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

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1. The Board of Directors (the **"Board"**) of LMIRT Management Ltd, in its capacity as manager of Lippo Malls Indonesia Retail Trust ("**LMIR Trust**", and as manager of LMIR Trust, the "**Manager**"), refers to:

   (a) the annual report of the LMIR Trust for the financial year ended 31 December 2022 (the "**Annual Report**");

   (b) the notice of annual general meeting ("**AGM**") dated 3 April 2023 informing Unitholders that the fourteenth AGM of LMIR Trust will be convened and held by way of electronic means on Tuesday, 25 April 2023 at 10:00 a.m.; and

   (c) the accompanying general announcement released on 3 April 2023 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

2. **Response to questions from Unitholders**. The Manager would like to thank Unitholders for submitting substantial and relevant questions in advance of the AGM. As there was substantial overlap between several questions received from Unitholders, the Manager has summarised and grouped these questions accordingly. The Manager's responses are also outlined in "**Annex A"** of this announcement.

3. **Response to questions from SIAS**. The Manager has received questions from the Securities Investors Association (Singapore) ("SIAS") in relation to the Annual Report. Please refer to the SIAS website at https://sias.org.sg/qa-on-annual-reports/ for the list of questions and the corresponding responses of the Manager is outlined in "**Annex B**" of this announcement.

By Order of the Board

LMIRT MANAGEMENT LTD.

(As manager of Lippo Malls Indonesia Retail Trust)

(UEN/Company registration number: 200707703M)

Liew Chee Seng James

Executive Director and Chief Executive Officer

19 April 2023

LIPPO MALLS INDONESIA RETAIL TRUST

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

RESPONSE TO QUESTIONS RECEIVED FROM UNITHOLDERS (ANNEX A)

1. **LMIRT is in present crisis mode because Trust manager chose to ignore minority shareholders' entreaties not to cripple Trust with financial burdens during Covid induced economic downturn by buying new malls. Now that MI have been proved right, Mall management should gracefully refund fees paid for said acquisition and forego management fees until such time LMIRT recovers its footing.**

LMIR Trust first made its intention to acquire Lippo Mall Puri ("Puri Mall") in March 2019 before the COVID-19 took place and due to the impact of COVID-19 LMIR Trust was able to acquire the iconic Puri Mall at an attractive discount to the average of two independent valuations and also at a lower purchase price due to the revised valuations.

Puri Mall is a strategic investment with great potential. It is an iconic mall strategically located in the established Puri Indah CBD area and is also part of the largest mixed-use development in West Jakarta with a catchment of shoppers from residents, office workers and visitors to the integrated development. Together with the acquisition, LMIR Trust also entered into a vendor support agreement with guaranteed Net Property Income ("NPI") till 31 December 2024 to provide LMIR Trust with a stable level of income to mitigate short-term uncertainties arising from the pandemic. During COVID-19, despite the revenue from Puri Mall was significantly impacted by the rental waivers/relieves and discounts on service charges granted to tenants, the vendor support agreement had provided LMIR Trust with guaranteed NPI of S$30.1 million and S$31.6 million for FY2021 and FY2022 respectively, as well as the corresponding operating cashflow.

With the easing of restrictions in Indonesia and improving operating environment, Puri Mall has registered resilient growth as shown in the table below:

Lippo Mall Puri	**FY 2022**	**FY2020**	**% Change**
Valuation	Rp3,992.0 billion	Rp3,500 billion	14.1
Occupancy	89.3%	85.0%	4.3
Tenants	361	329	9.7%
Shopper Traffic	13.0 million	7.8 million	66.6%

The underlying gross revenue (excluding the impact of the guaranteed NPI provided under the vendor support agreement) of Puri Mall has also improved from S$18.8 million in FY 2021 to S$34.2 million in FY 2022.

2.	**With cash running out, what are the next steps?** Fundamentally, the Trust's operational performance is improving as reflected in our FY 2022 results, with rental revenue, gross revenue and NPI improving 17.2%, 16.9% and 25.2% respectively. The quantum is higher in IDR terms at 20.0%, 19.8% and 28.2% respectively. The Trust is also generating positive cashflows from operations during the COVID-19 pandemic. However, the current macroeconomic headwinds are straining the financial recovery of the Trust, particularly rising interest rates, volatile foreign exchange rates and tightening credit market. Coupled with these, the depreciation of IDR against SGD and downgrading of the Trust credit ratings have further made it more challenging to access capital to deal with the debts maturing in FY 2023 and FY 2024. The immediate steps taken were the substantial reduction in distribution to Unitholders for 4Q 2022 and the cessation of distributions to the holders of the S$140.0 million perpetual securities as announced on 20 March 2023, to conserve capital and cash resources. Due to the distribution stopper on perpetual securities, this will also restrict the ability of LMIR Trust to make future distributions to Unitholders. These are severe, however prudent measures that are necessary to stabilise the Trust as it focuses on addressing the debt obligations due in FY 2023 and FY 2024.
3.	**Are there plans to sell malls to actualise gains to pay dividends?** We are exploring asset recycling opportunities to divest our non-core non-strategic assets at reasonable market prices. We have engaged a property consultant to target and search for appropriate buyers. For our malls, we are targeting buyers with operating experience whereas for our strata retail assets, we are targeting buyers who wish to buy for their own use or as an investment. However, investment activities in the Indonesian commercial real estate market remain muted post COVID. Any potential divestment activity is expected to take time.
4.	**Lippo Malls has the lowest Price to book in the SREIT market. It is now 0.23. Are there any plans to buy back shares or for sponsor to take it private to realize the full value of Lippo Malls?** We are now focused on stabilising the Trust's performance. Overall, the operational performance of the Trust is gradually recovering as reflected in the year-on-year ("YoY") improvement in our top-line results. Although some malls are still performing below expectations, such as the malls in Bandung, Bali, Bogor and Yogyakarta, due to increased competition from newer malls in the areas and the lack of international tourists in the Bali province. Some of our tenants are still suffering from the effects of COVID-19 particularly the hypermarket/supermarket sector. The vacated spaces by hypermarkets/supermarkets at our malls could present an opportunity for us to convert these spaces to specialty units which will bolster our retail offerings at higher rental rates. Together with our mall operator, we are also focusing on renewing expiring leases and improving tenant mix to bring in new and exciting brands in different trade sectors to provide shoppers with a more holistic shopping experience. These initiatives continue to be supported by our marketing campaigns and events to attract shoppers back to our malls. To maximise the

	value of our malls, we continue to explore opportunities to optimise mall space through strategic asset enhancement initiatives (“AEI”). The extensive AEI at one of our biggest upmarket malls, Sun Plaza in Medan, were completed in 2022. An additional scope of converting the rooftop parking spaces into an alfresco dining area with an eclectic food and beverage selection in a lush tropical garden setting, is in progress with expected completion by 4Q 2023. Similarly, the major refurbishment works at Gajah Mada Plaza are more than 80% completed. Located in the heart of Jakarta’s bustling Chinatown and commercial area, the mall refurbishment is expected to be completed with official opening in 4Q 2023. As we continue to implement these strategic actions to support the recovery of the Trust, it is important to acknowledge that the financial benefits from these positive actions will take time to reach fruition. For a start, we have already received positive results and feedback from the AEIs done at Sun Plaza and Gajah Mada Plaza.
5.	**Why are your Grand Palladium units occupancy at 0% for the past several quarters?** The mall is still in the process of consolidating consensus from all strata owners of the mall for AEI. While LMIR Trust owns 44.7% of the retail spaces in the mall, the remaining 55.3% are owned by individual strata owners and the developer. The occupancy of the entire mall is only around 23%. The COVID-19 pandemic has further delayed this AEI project as the individual strata owners are reluctant to invest in the AEI given the economic uncertainty.
6.	**I note that 100% of the company's properties are unencumbered for more than 5 years. From my understanding, if one pledge your property to the bank, the bank could potentially offer you a lower interest rate (and higher loan quantum) compared to if you did not pledge your property. Have the company considered pledging some of the company's properties to the bank, and reducing the interest cost and burden to the company? Why did the company not pledge its properties to the bank as collateral? Was it because the banks do not accept shopping malls as a form of collateral? Please explain and elaborate on the rationale of having all properties unencumbered.** Prior to FY 2018, the Trust’s loan facilities were of a secured nature with our shopping malls pledged to bank lenders as collateral. The Trust subsequently converted to a 100% unencumbered structure (with no significant increase in financing cost) as it provided the Trust with greater financial flexibility and allowed the Trust to tap the US$ Capital Market. We are currently in active discussion with our bank lenders to address our debts maturing in the next 12 months which may require the provision of our shopping malls as collateral.
7.	**Are we still giving any tenant support or tenant relief? If so, when will these tenant support cease? Which tenants are we still giving tenant support? Are these tenants receiving tenant support related parties, i.e. subsidiaries of our sponsor Lippo Karawaci such as Matahari Department stores and supermarket? Please detail and elaborate.** With improving operating conditions and easing of social restrictions during 2022, we were able to significantly reduce the rental support or reliefs to our tenants in FY 2022.

The Trust has reduced almost all rental support or reliefs to speciality tenants, except for those operating in underperforming malls. Certain speciality tenants in such malls are also on Gross Turnover Rent structure instead of the traditional fixed rental structure. The purpose of such rental reliefs or turnover structures is to allow such tenants to operate and attract shoppers to the malls, thereby increasing occupancy. Over the medium term, as the mall stabilises with increasing shopper traffic, we would be able to reduce rental reliefs and improve the financial performance of the mall.

Rental support is also provided to selected anchor related and non-related tenants such as hypermarkets or supermarkets operated by Carrefour and Matahari Putra Prima as this segment faces intense competition from stand-alone supermarkets, traditional wet markets and mini-marts located outside the malls as these outlets are more convenient destinations for Indonesians shopping for daily essentials. However, as supermarkets are an essential tenant mix within the malls, the Trust has exercised flexibility in their rental structures to ensure their continued operations as well as maintain occupancy levels within the malls.

8. **The ICR of LMIRT is less than 2.5x, and hence the maximum permissible gearing limit is 45%, which only allows a small buffer given the REIT's current gearing of 44.6%. Are there plans by the REIT to reduce its gearing level? With the impending rise in interest rates, how does the company plan to manage its debts, borrowings, and other liabilities?**

We are in active discussion with our bank lenders for a comprehensive solution to address the bank debts maturing over the next 12 months as well as the US$ bonds due in 2024 and 2026.

The Trust uses fixed rate debt and interest rate derivatives such as swaps to protect against interest rate volatility. We take into consideration the interest rate environment, volatility of the interest rate trend, pricing / cost and tenure of the interest rate swaps contracts before entering into any of the contracts.

In FY 2022, we restructured our cross-currency swap contracts with a floating interest, and a term loan facility to Singapore Overnight Rate Average (SORA) from Singapore Offer Rate (SOR). Historically, SORA tends to be a more stable benchmark than the SOR.

9. **Also, the company auditor has issued an emphasis of matter regarding "going concern" and the company has stopped payment of distributions to perpetual securities holders. This means that distributions to unitholders would have to cease also. Will the company go bankrupt? Will the company need to conduct another rights issue to recapitalise, similar to the one we did many years ago? Please explain and elaborate.**

The Trust has a resilient portfolio of 29 assets strategically located across Indonesia. Fundamentally, the Trust's operational performance is improving as reflected in our FY 2022 results, with rental revenue, gross revenue and NPI registering double digit growth.

To support our operational recovery, we are focusing on renewing expiring leases and improving tenant mix to bring in new and exciting brands in different trade sectors to provide shoppers with a more holistic shopping experience. These initiatives continue to be supported by our marketing campaigns and events to attract shoppers back to our malls. To maximise the value of our malls, we continue to explore opportunities to optimise mall space through strategic AEI.

The immediate steps taken to cease distributions to the holders of the perpetual securities and unitholders is part of the process of stabilising the Trust while we continue active discussions with our bank lenders for a comprehensive solution to address our bank debts maturing over the next 12 months as well as our US$ bonds due in 2024 and 2026.

10. On 6 March, the company announced that it had appointed "Stirling Coleman Capital Limited ("SCCL") as its financial advisor in relation to the capital management initiatives of LMIR Trust." More than a month has passed since the announcement, please provide updates on the progress.

SCCL's engagement as Financial Adviser is an ongoing process to advise and report to the board of directors of the Manager and the Trustee of LMIRT, on a suitable and sustainable capital structure for LMIRT going forward.

Since engagement, SCCL has been working closely with the Manager in assessing the current situation, evaluating the various options available to LMIRT in view of balancing multiple and competing demands on LMIRT's resources to determine the next steps to maintain a sustainable capital structure and reduce aggregate leverage.

If and when there are any material developments which warrant disclosure, the Manager will, in compliance with applicable rules, make further announcements as appropriate.

11. Please comment if LMIRT and OUE Commercial REIT (another REIT sponsored by Riady) will be merging into one REIT?

We are currently not in discussions with any third party, related or non-related, on any plans to divest or merge the REIT.

We remain focused on supporting the recovery of our portfolio and coming up with a comprehensive solution to address our bank debts maturing over the next 12 months as well as our US$ bonds due in 2024 and 2026.

12. Will there be any Distribution Per Unit ("DPU") going forward? When will DPU return to 2018 level? When will share price recover to IPO levels of S$0.80?

We announced that we have ceased distributions to the holders of the S$140 million perpetual securities. Due to the distribution stopper on perpetual securities, this would also restrict the ability of the Trust to make future distributions to Unitholders.

These are prudent and necessary actions to stabilise the Trust as we navigate the uncertain macroenvironment to improve our capital structure and the overall long-term performance of the Trust to stabilise returns for our Unitholders.

13. How to justify the REIT share price can drop from 60 cents to 1.5 cents?

Unit price is a function of the market that we have no control over. Over the last two to three years, like most businesses, the Trust faced significant challenges due to the pandemic and in 2022, amid recovering operating environment, macroeconomic headwinds and a weakening of the IDR to SGD are straining the financial recovery of the Trust.

We have also implemented strategic actions such as AEI works to support the recovery of the Trust, coupled with continuous efforts in improving our tenant mix and organising mall activities to attract shoppers back to our mall. As we continue to focus on operational recovery, we are also focusing on navigating current macro challenges to improve our capital structure. (Please refer to answers above for some of the strategic actions taken.)

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RESPONSE TO QUESTIONS RECEIVED FROM SIAS (ANNEX B)

Question 1

i) Can the board, especially the independent directors, help unitholders better understand if the current situation the trust finds itself in was discussed as a possible scenario when the board assessed the Trust's outlook and risks during its board meeting in the past 12-18 months?

ii) If so, what proactive measures did the board take to address this situation? Has the management actively sought buyers to acquire non-core assets from the trust?

iii) What is the mandate given to Stirling Coleman Capital Limited, which is advising the trust on its options for capital management to achieve a sustainable capital structure?

Answer

The Board and Management has consistently and methodically assessed strategic risks during the Covid and current macroeconomic challenging times.

Specifically, during the year, the Manager in counsel with the Board took strategic actions to insulate the Trust from the impact of fluctuating foreign currencies and interest rates. It entered into various hedging contracts to mitigate its exposure to currency volatility, as well as restructured its loan interest rates to the Singapore Overnight Rate Average (SORA) interest rate benchmark.

These strategic actions included restructuring the terms of (i) the cross-currency swap contracts with a floating interest, and (ii) the term loan of S$110.0 million, so that the benchmark for the interest rate had been transitioned from Singapore Offer Rate (SOR) to SORA. Historically, SORA tends to be a more stable benchmark than the SOR.

In September and December 2022, LMIR Trust repurchased and cancelled an aggregate principal amount of US$29.5 million of the US$250.0 million and US$200.0 million outstanding notes from the open market. Using internal funds, the total cost for the exercise amounted to S$28.6 million, resulting in a gain of S$10.6 million.

In October 2022, LMIR Trust obtained a one-year bridging loan facility of S$67.5 million, which were used to refinance a S$67.5 million term loan that matured in November 2022. The bridging facility bears a lower interest rate of 2.50% + SORA per annum compared to the existing term loans, due to its shorter loan tenure.

We are also exploring asset recycling opportunities to divest our non-core non-strategic assets at reasonable market prices. We have engaged a property consultant to target and search for appropriate buyers. For our malls, we are targeting buyers with operating experience whereas for our strata retail assets, we are targeting buyers who wish to buy for their own use or as an investment. However, investment activities in the Indonesian commercial real estate market remain muted post COVID. Any potential divestment activity is expected to take time.

We remain in active discussion with our bank lenders for a comprehensive solution to address the bank debts maturing over the next 12 months as well as the US$ bonds due in 2024 and 2026 while we have appointed Stirling Coleman Capital Limited ("SCCL") as our financial advisor to advise and report to the board of directors of the Manager and the Trustee of LMIRT, on a suitable and sustainable capital structure for LMIRT going forward.

Question 2

i) **Who is currently spearheading the negotiations with the banks, and what is the current progress of these negotiations?**
ii) **What are the specific roles and responsibilities of the independent directors in the ongoing refinancing process?**
iii) **What are the options available to the trust, considering its present circumstances? Has the possibility of a rights issue been considered? What discussions, if any, have transpired with the sponsor, PT Lippo Karawaci Tbk?**

Answer

The Manager is in active discussion with existing and new lenders, on the back of strategic counsel from the Board. Through the support of our sponsor, Lippo Karawaci, we remain in active discussion with our bank lenders for a comprehensive solution to address the bank debts maturing over the next 12 months as well as the US$ bonds due in 2024 and 2026.

SCCL has been appointed and is working closely with the Manager in assessing the current situation, evaluating the various options available to LMIRT in view of balancing multiple and competing demands on LMIRT's resources to determine the next steps to maintain a sustainable capital structure and reduce aggregate leverage.

In general, the independent directors are non-executive in nature so they do not take part in direct negotiations with the lenders on financing activities. The Manager however regularly updates the Board (including the independent directors) on the status of any financing negotiations. The Board supervises the process and provides the Manager with strategic inputs and insights on the process.

Question 3

i) **Could the nominating committee (NC) provide additional insights to unitholders on how it evaluated Ms Gouw Vi Ven's long-standing association with the REIT and the sponsor? What is the basis for concluding that Ms. Gouw Vi Ven can effectively exercise independent judgement in fulfilling her duties as an independent director, and is this determination reasonable?**
ii) **Did the NC consider if unitholders would perceive Ms Gouw Vi Ven as independent given her association with the group?**

iii) Due to her executive functions as CEO and executive director of the trust in the past, would Ms Gouw Vi Ven now be required, as an independent director, to review and evaluate her own past decisions and actions?
<u>Answer</u> The NRC has assessed the independence of Ms Gouw Vi Ven in accordance with the requirements of the SGX Listing Manual, the Code of Corporate Governance 2018 and the Securities and Futures (Licensing and Conduct of Business) Regulations ("SFLCBR") and is of the view that Ms Gouw Vi Ven does not have any relationships and is not faced with any of the circumstances identified in the SGX Listing Manual, the Code of Corporate Governance 2018 and the Securities and Futures (Licensing and Conduct of Business) Regulations which may affect her independent judgement. The NRC and the Board are therefore of the view that Ms Gouw Vi Ven will be able to exercise independent judgement in the discharge of her duties and responsibilities as an Independent Director. In assessing Ms Gouw's independence, the NRC and Board had considered and observed her participation during board and board committee meetings since she was appointed as a Non-Executive Director and she has always constructively challenge Management on issues involving the Sponsor and/or its related corporations and has always been objective in the assessment of these issues brought before the Board. Ms Gouw Vi Ven had retired from all her duties with the Lippo Karawaci Group (being the Sponsor of LMIR Trust) (the "Sponsor Group") since 1 May 2019; she has thereafter ceased to represent the interests of the Sponsor Group and has been sitting on the Board of the Manager as Non-Executive Director solely in her personal capacity and had not been involved in the management of the Sponsor Group's business since then. Therefore, the NRC and the Board are satisfied that she is not under an obligation to act in accordance with the instructions or wishes of the Sponsor Group. For the assessment of her independence, Ms Gouw has also abstained from all the discussion and deliberation of the NRC and Board. The Manager has not, thus far, met with a situation that Ms Gouw Vi Ven is required to review and evaluate her own past decisions and actions.