



LIPPO MALLS INDONESIA RETAIL TRUST

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

## ANNOUNCEMENT

### LIPPO MALL KEMANG

*Capitalised terms used herein shall, unless otherwise defined, have the same meanings as defined in the circular to unitholders of Lippo Malls Indonesia Retail Trust (“LMIR Trust” or the “REIT”) dated 22 October 2014 in relation to the proposed acquisition of Lippo Mall Kemang (“LMK” or the “Mall”).*

LMIRT Management Ltd., in its capacity as manager of LMIR Trust (the “**Manager**”), wishes to announce the following in response to queries raised by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 3 February 2016 with respect to matters relating to LMK.

#### **Query 1:**

We refer to Lippo Mall Kemang (“**LMK**” or the “**Mall**”), and the lease of the car park space of LMK, casual leasing space of LMK and Avenue of the Stars of LMK to the Sponsor Lessees (collectively, the “**LMK Master Lease**”). Please disclose the financial impact of the income support provided through the LMK Master Lease for financial year (“**FY**”) 2015 and the current financial year. In this respect, please also disclose the actual amount of rental paid by the tenants of the Mall without the LMK Master Lease as well as the rental received by the REIT through the LMK Master Lease.

#### **Query 2:**

Please disclose the impact of the income support on the distribution per unit (“**DPU**”) and net yield of the REIT.

#### **Manager’s Response to Query 1 and Query 2:**

For the nine-month period ended 30 September 2015, the DPU of LMIR Trust is 2.29 cents (with annualised DPU yield of 9.5% as at 30 September 2015 based on the price of S\$0.32 per unit of LMIR Trust (“**Unit**”) as at 30 September 2015) with the LMK Master Lease and 1.84 cents (with annualised DPU yield of 7.7% as at 30 September 2015 based on the price of S\$0.32 per Unit as at 30 September 2015) if the LMK Master Lease is disregarded and instead the actual amount of rental paid by the relevant tenants in relation to the casual leasing space and Avenue of the Stars as well as the car park fees (collectively, the “**Underlying Rentals**”) is taken into account.

The Underlying Rentals for the nine-month period ended 30 September 2015 is approximately Rp.18.8 billion while the rental received by LMIR Trust under the LMK Master Lease for the nine-month period ended 30 September 2015 is approximately Rp.156.6 billion. The Property Manager has engaged a consultant and is carrying out internal reviews on alternative proposals to enhance the tenancy mix at the Avenue of the Stars which could drive higher footfall traffic into the Mall in the future. Please refer to the response to Query 4 for further details.

The Manager has provided the above information in relation to the nine-month period ended 30 September 2015, and not in relation to the full FY2015 and the current FY2016, because the latest available financial information concerning LMIR Trust is for the nine-month period ended 30 September 2015.

**Query 3:**

The REIT disclosed in its shareholders circulars on 22 October 2014 and 17 November 2015 that the average gross rent (excluding service charge) were Rp.60,516 per square metre (“**sqm**”) per month as at 30 April 2014 and Rp.120,478 per sqm per month as at 30 September 2015 respectively. Please disclose the factors which resulted in the higher gross rental as at 30 September 2015.

**Manager’s Response:**

The amount of Rp.60,516 per sqm per month is the average gross rent of all tenants including underlying tenants under the LMK Master Lease but excluding the Sponsor Lessees (the “**Relevant Tenants**”) as of 30 April 2014 based on gross floor area (“**GFA**”). It is the sum of the rental revenues from the Relevant Tenants divided by the GFA of LMK.

The amount of Rp.120,478 per sqm per month is the average gross rent of the Relevant Tenants as of 30 September 2015 based on net lettable area (“**NLA**”). It is the sum of the rental revenues from the Relevant Tenants divided by the NLA of LMK. The Manager wishes to clarify that it had disclosed the average gross rent as of 30 September 2015 based on NLA in the 17 November 2015 circular as it felt that this would be the more appropriate metric, in order to be consistent with its past typical practice of disclosing the rental for its existing portfolio based on NLA. This is also in line with industry practice for retail malls and is a more appropriate basis for investors to use for comparison with other retail property owners and REITs.

Both the calculations of average gross rent as at 30 April 2014 and 30 September 2015 are made on the same basis where all the rental of the Relevant Tenants are taken into account. The following table sets out the average gross rent of all Relevant Tenants on the basis of both GFA and NLA:

	<b>As at 30 April 2014</b>	<b>Average Gross Rent (Rp./sqm/month)</b>	<b>As at 30 September 2015</b>	<b>Average Gross Rent (Rp./sqm/month)</b>
<b>GFA (sqm)</b>	150,932	60,156	150,932	46,486
<b>NLA (sqm)</b>	59,377	152,912	58,236	120,478

By comparing the average gross rent from 30 April 2014 to 30 September 2015 based on NLA, there is a decrease in the average gross rent from Rp.152,912 per sqm per month compared to Rp.120,478 per sqm per month. This is mainly due to the discounts given to some major/anchor tenants. Please refer to the response to Query 4 for further details.

**Query 4:**

Please disclose the rental rates assumed under the LMK Master Lease and the bases for the assumptions that the value of the LMK Master Lease is sustainable after the LMK Master Lease ends in 14 September 2017, taking into account the actual rent paid by the tenants of the Mall.

**Manager's Response:**

The rental rates assumed under the LMK Master Lease are set out in the table below.

<b>LMK Master Lease Category</b>	<b>Area / Lots</b>	<b>Monthly Rental Rate</b>
Car Park Lease	2,326 lots	Rp.7.7 billion
Casual Leasing Space Lease	1,600 sqm	Rp.6.0 billion
Avenue of the Star Lease	5,197 sqm	Rp.3.7 billion

In relation to the query on the bases for the assumptions that the value of the LMK Master Lease is sustainable after the LMK Master Lease ends in 14 September 2017, the Manager wishes to state that when LMIR Trust was considering the acquisition of LMK in 2014, LMK was a very new mall which was completed and commenced operations only in September 2012. Typically, it takes at least three to five years before a mall is considered to be relatively mature in terms of its positioning and performance and during this period the rental rates are typically weak, and this general principle is also applicable in the case of LMK.

In addition, LMK is the podium of the proposed J.W. Marriot hotel (which is expected to be completed in 2016/2017), and together with Pelita Harapan school campus (completed in 2010) and three condominium towers (completed between 2011 and 2013), all form part of the Kemang Village Integrated Development. LMK is also the only retail mall located in the Kemang Village Integrated Development. Therefore, LMK is expected to capture shopping traffic and income (including car park income) from these components, some of which are expected to be completed only in 2016 and perhaps later in 2017 and will also require time to stabilise. Given LMK's location in South Jakarta, LMK also targets to attract traffic from the dense population located in Jakarta city.

The above are part of the considerations which LMIR Trust took into account when acquiring LMK. From LMIR Trust's perspective, it is dealing with the Sponsor Lessees in relation to Avenue of the Stars, casual leasing space and car park space and it is receiving income from the Sponsor Lessees under the LMK Lease Agreements during the period when LMK is still ramping up and stabilising its rentals.

**Query 5:**

In its shareholders' circular dated 17 November 2015 in relation to the proposed extension of strata title completion period for the Put Option Agreement, the REIT disclosed the valuations of the Mall by two independent valuers to be S\$375.48 million and S\$368.20 million respectively. It was disclosed that the valuations were based on the income approach using the discounted cash flow method. Please disclose the major assumptions used in the two valuations and whether based on the current market/tenancy conditions, are there any significant deviations to the major assumptions?

### **Manager's Response:**

The major assumptions of KJPP Winarta & Rekan are as follows and can also be found at page B-4 of the 17 November 2015 circular:

- “(i) the property is free from all liens and encumbrances, encompassing both physical and legal encumbrances;*
- (ii) the total land area of the whole of Kemang Village compound is 46,378 square meters;*
- (iii) the total gross floor area is about 150,932 square meters and rentable floor area is about 58,236 square meters supplemented with about 1,600 square meters casual leasing;*
- (iv) the subject site is held under proper and valid land certificate (Hak Guna Bangunan-HGB);*
- (v) the building is covered with proper Building Permit (Izin Mendirikan Bangunan-IMB) and valid Building Occupancy Permit (Kelayakan Menggunakan Bangunan-IPB);*
- (vi) the subject property is professionally and efficiently managed by professional building managers;*
- (vii) that part of the prepaid rentals, if any, will be recoverable from the owner by the purchaser, and it will be apportioned fairly and equitably;*
- (viii) the service charges collected will cover the operating cost of Lippo Mall Kemang shopping centre;*
- (ix) that there are no significant changes between the date of the site inspection and the date of valuation;*
- (x) all information and data provided by the Client are correct and accurate;*
- (xi) we have not made allowances for any charges, mortgages or amounts owing on any property interest nor for any expenses or taxation which may be incurred when effecting an open market sale. Valuation methodologies do not account for any taxation; and*
- (xii) the property can be sold in the open market without the benefit of a deferred contract, leaseback, joint venture, management arrangement which could serve to increase the value of the property.”*

The major assumptions of KJPP Rengganis, Hamid & Rekan are as follows and can also be found at pages B-10 to B-11 of the 17 November 2015 circular:

- “1) The inspection date is after the valuation date. In this valuation we have assumed that there is no significant change of the subject property between the valuation date and inspection date.*
- 2) The subject property will be covered by strata title certificate and is assumed to be good marketable title and free and clear from all liens and encumbrances, easements, restriction, or limitation.*

- 3) *We have not investigated the title or any liabilities affecting the property appraised. No consideration was made for any outstanding amount owed financing agreements, if any.*
- 4) *We have received 3 (three) lease agreements between PT Gelora Raya Semesta (as owner) and third parties which cover parking, casual leasing and Avenue of the Stars. In this valuation, we assumed that the third parties will fulfill their liabilities. We stated that should these proved to be different; the accuracy of this valuation is definitely affected.*
- 5) *We also have been informed by the Client, that the deficit in operational will be covered by PT Gelora Raya Semesta (as owner), therefore we have not taken this operational deficit in our valuation.*
- 6) *We noted that some additional space areas are located in apartments. We have assumed that those areas are part of Lippo Mall Kemang.*
- 7) *We also have received tenancy schedule and sample of lease agreements of tenants, and we assumed that the term and condition in the agreement is true and accurate.*
- 8) *The value stated in this report is restricted to the purpose of this valuation and cannot be used for other valuation purposes, which can be mistakenly quoted.*
- 9) *This valuation certificate depends on assumption and limitation that will be stated in the full report.”*

Based on the current market / tenancy conditions, there are no significant deviations to the major assumptions.

**Query 6:**

In its shareholders' circular dated 22 October 2014, it was disclosed in the IFA Letter that the LMK Master Lease “has the effect of increasing the upfront valuation by an estimated Rp.240 billion (S\$26 million) (W&R) or Rp.350 billion (S\$37 million) (Rengganis) relative to what would have been derived using normal operating assumptions.” There were no similar disclosures in its shareholders' circular of 17 November 2015. Please disclose whether there will be any differences in valuation of the Mall arising from the effect of the LMK Master Lease in comparison to actual operating conditions and if so, what would be the valuation of the Mall derived using normal operating assumptions.

**Manager's Response:**

There would be differences in the valuation of the Mall arising from the effect of the LMK Master Lease in comparison to actual operating conditions. In the financial statements of LMIR Trust, the value of the LMK Master Lease is reported as a separate line item as “intangible asset”. As disclosed in LMIR Trust's FY2014 Annual Report on page 24, the value of LMK at S\$388.4 million includes intangible assets. The intangible assets as of 31 December 2014 was valued at S\$34 million as disclosed at page 95 of the FY2014 Annual Report. Therefore the value of LMK without the LMK Master Lease as of 31 December 2014 is S\$354.4 million.

As of 31 December 2015, the value of LMK (including intangible assets) is S\$358.3 million and the value of the intangible assets is S\$21.9 million. Therefore the value of LMK without the LMK Master Lease as of 31 December 2015 is S\$336.4 million. These figures will be announced in LMIR Trust's FY2015 Annual Report in the same way in which they were announced in the FY2014 Annual Report.

**Query 7:**

To disclose if there is any other material information relating to the LMK Master Lease and the proposed extension of strata title completion period for the Put Option Agreement to enable investors to make an informed assessment of their investment in the REIT.

**Manager's Response:**

The Manager would like to confirm after making all reasonable enquiries that, to the best of its knowledge and belief, it has disclosed all material information relating to the LMK Master Lease and the proposed extension of strata title completion period for the Put Option Agreement to enable investors to make an informed assessment of their investment in LMIR Trust.

Once the strata title for LMK is issued, the Manager will make a separate announcement to inform Unitholders accordingly.

By Order of the Board

LMIRT MANAGEMENT LTD.  
(as manager of Lippo Malls Indonesia Retail Trust)  
(Company registration number: 200707703M)

Mr Alvin Cheng Yu Dong  
Executive Director and Chief Executive Officer  
12 February 2016

**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.