



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 OF LIPPO MALL KUTA

*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.9,800 and all capitalised terms shall have the meanings given in the announcement dated 8 January 2016 (the “**Acquisition Announcement**”) in relation to the proposed acquisition of Lippo Mall Kuta.*

1. SUPPLEMENTAL AGREEMENT TO PROPERTY CSPA

Further to the Acquisition Announcement in relation to the proposed acquisition of Lippo Mall Kuta, LMIR Management Ltd., in its capacity as manager of Lippo Malls Indonesia Retail Trust (“**LMIR Trust**”) and as manager of LMIR Trust, the “**Manager**”), wishes to announce that LMIR Trust, through Kuta1, a company incorporated in Singapore and an indirect wholly-owned subsidiary of LMIR Trust, has on 15 August 2016 entered into a supplemental agreement (the “**Supplemental Agreement**”) with PT PPU, a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk, the sponsor of LMIR Trust (the “**Sponsor**”), to supplement and amend the Property CSPA in connection with the acquisition of Lippo Mall Kuta (the “**Acquisition**”).

Pursuant to the Supplemental Agreement, Kuta1 and PT PPU have agreed, among others, to the terms of the master leases to be entered into in relation to the Acquisition (the “**Master Leases**”) and attached the forms of the agreements granting the Master Leases (the “**Master Lease Agreements**”) (comprising the Car Park Lease Agreement, the Casual Leasing Space Lease Agreement and the Specialty Tenants Lease Agreements) to the Property CSPA, each of which will be entered into prior to, and take effect upon, the completion of the Acquisition, and to extend the long stop date for the Property CSPA to 31 December 2016, subject to an automatic extension to 31 March 2017. The details of the Master Lease Agreements are set out below:

1.1 Car Park Lease Agreement

The Car Park Lease Agreement will be entered into between the new Indonesian foreign investment limited liability company to be incorporated, which will be wholly-owned by LMIR Trust through Kuta1 and Kuta2 (“**IndoCo**”), as the lessor, and PT Trimulia Kencana Abadi (a limited liability company incorporated in Indonesia and a subsidiary of PT PPU), as the lessee, in respect of the grant of a lease over the entire parking lot area of Lippo Mall Kuta consisting of 355 car park lots and 250 motorcycle lots, for a lease term of five years at a monthly rent of Rp.308.3 million, an amount which was arrived at after negotiations with the Sponsor on an arms’ length basis.

The lessee shall be responsible for the payment of all operating expenses in relation to the car park area, including but not limited to electricity fees.

1.2 Casual Leasing Space Lease Agreement

The Casual Leasing Space Lease Agreement will be entered into between IndoCo, as the lessor, and PT Kencana Agung Pratama (a limited liability company incorporated in Indonesia and a subsidiary of PT PPU), as the lessee, in respect of the grant of a lease over the entire casual leasing area of Lippo Mall Kuta of approximately 250 square metres (“sq m”), for a lease term of five years at a monthly rent of Rp.375.0 million, an amount which was arrived at after negotiations with the Sponsor on an arms’ length basis.

The lessee shall be responsible for the payment of all service charges which are required to cover the maintenance and operating expenses in relation to the casual leasing area.

1.3 Speciality Tenants Lease Agreements

The Speciality Tenants Lease Agreements will be entered into between IndoCo, as the lessor, and PT Kridakarya Anugerah Utama (a limited liability company incorporated in Indonesia and a subsidiary of PT PPU), as the lessee, in respect of the grant of a lease over certain specialty tenants area of Lippo Mall Kuta of approximately 4,400 sq m and in respect of a food court of approximately 1,672 sq m, each for a lease term of five years at a monthly rent of Rp.2,706.0 million and Rp.217.4 million respectively, amounts which were arrived at after negotiations with the Sponsor on an arms’ length basis.

The lessee shall be responsible for the payment of all service charges which are required to cover the maintenance and operating expenses in relation to the specialty tenants areas including the food court.

1.4 Assignment/Subletting

Each of the lessees of the Master Lease Agreements (the “**Master Lessees**”) shall have the full right to sub-let the Master Leases without the prior written consent of IndoCo on the condition that the terms under the sub-lease(s) do not exceed the terms under the relevant Master Lease. If the Master Lessees intend to sub-let the Master Leases on terms which exceed the terms under the relevant Master Lease or on lease terms expiring less than six months prior to the terms under the relevant Master Lease, the Master Lessees would be required to obtain the consent of IndoCo.

The Master Lessees are prohibited from assigning each of their rights and obligations under the relevant Master Lease Agreements to any other party without the prior written consent of IndoCo.

The Manager understands from PT PPU that the actual rental received by the Master Lessees from the underlying tenants of the Master Leases for the period from financial year ended 31 December 2015 (“**FY2015**”) is Rp.1.2 billion in respect of the car park space, Rp.1.4 billion in respect of the casual leasing area and Rp.6.0 billion in respect of the specialty tenants area (excluding the food court¹). The total actual rental income received from the underlying tenants of the Master Leases (excluding the food court) for FY2015 is Rp.8.6

1 The Manager understands from PT PPU that the lease agreement for the food court was only entered into at the end of FY2015 and no revenue was recorded by PT PPU in FY2015 for the food court. All rental income payable for the food court for FY2015 is payable to PT PPU in FY2016.

billion, which represents approximately 21.1% of the total annual rental income under the Master Leases (excluding the food court) of Rp.40.7 billion and 12.4% of the gross rental income for Lippo Mall Kuta (excluding the food court) for FY2015 of Rp.69.3 billion.

Lippo Mall Kuta is still in its infancy stage, having commenced operations in 2013, and it requires time for its rental and occupancy rates to stabilise and reach full market rental levels. In addition, the Manager understands from the Master Lessees 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. 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 represents approximately 62.5% of the gross rental income for Lippo Mall Kuta for FY2015 of Rp.69.3 billion.

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 Rengganis' view that in relation to the Master Lease Agreements, for specialty tenants area and the food court, the contractual base rent in the fifth year is relatively similar with their projected market rent in that year, while casual leasing and parking contribute less significantly to the total revenue from the Master Lease Agreements and therefore the total underlying revenue from the Master Leases is sustainable from the sixth year onwards.

The Manager believes that given:

- (i) Lippo Mall Kuta's strategic location in Bali, which is a leading tourist destination in Indonesia which saw approximately 4 million foreign tourists in 2015, an increase of 6.2% from 2014;
- (ii) the recently completed asset enhancement initiatives to reconfigure the Hypermart at Lippo Mall Kuta to generate more lettable space for specialty stores and F&B outlets;
- (iii) that there is a hotel being constructed on top of Lippo Mall Kuta currently expected to be completed by 2018 which may increase footfall to the mall; and
- (iv) the view of 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 Lippo Mall Kuta 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 Lippo Mall Kuta's positioning and a head lease over the whole of each of the underlying spaces.

2. UPDATED VALUATION

The following table sets out the updated appraised values of Lippo Mall Kuta and the respective dates of such appraisal by W&R and Rengganis, which have been appointed by

the Trustee and the Manager respectively to value Lippo Mall Kuta, and the purchase consideration for the Acquisition (the “**Purchase Consideration**”):

Property	Appraised Value				Purchase Consideration (S\$ million)
	By W&R as at 30 June 2016		By Rengganis as at 30 June 2016		
	(S\$ million) ⁽¹⁾	(Rp. billion)	(S\$ million) ⁽¹⁾	(Rp. billion)	
Lippo Mall Kuta	81.8	801.4	91.0	891.7	81.6
Lippo Mall Kuta (Without Master Leases and Service Charges (as defined herein))	77.0	755.0	83.6	819.5	

Note:

(1) Based on the illustrative rupiah exchange rate of S\$1.00 is to Rp.9,800.

The Purchase Consideration of Rp.800.0 billion (S\$81.6 million) is below the average of the two independent valuations obtained and represents a discount of 5.6% to S\$86.4 million, which is the average of the two independent valuations of Lippo Mall Kuta.

The Manager would like to add, for Unitholders’ information, that should the Master Leases and Service Charges² not be taken into account in the appraised values of Lippo Mall Kuta by W&R and Rengganis, then their respective valuations of Lippo Mall Kuta as at 30 June 2016 would be Rp.755.0 billion (S\$77.0 million) and Rp.819.5 billion (S\$83.6 million), respectively.

3. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

3.1 Pro Forma Financial Effects

The pro forma financial effects of the Acquisition presented below are **strictly for illustrative purposes only** and were prepared based on:

- (i) the audited consolidated financial statements of LMIR Trust for FY2015 (the “**FY2015 Audited Consolidated Financial Statements**”); and
- (ii) the unaudited consolidated financial statements of LMIR Trust for the six months ended 30 June 2016 (the “**6M2016 Unaudited Financial Statements**”),

and assuming the total cost of the Acquisition of S\$91.5 million³, of which S\$90.7 million will be paid in cash and will be funded by proceeds from a term loan⁴.

2 Pursuant to the Property CSPA, for three years commencing from the completion of the Acquisition, PT PPU shall collect all service charges and utilities recoveries and other operations-related income from the tenants of Lippo Mall Kuta and shall bear all costs and expenses of operation and maintenance of Lippo Mall Kuta.

3 The total cost of the acquisition of S\$91.5 million comprises of (i) the Purchase Consideration of S\$81.6 million; (ii) the VAT of S\$7.8 million; (iii) the Acquisition Fee of S\$0.8 million payable to the Manager pursuant to Clause 15.2.1 of the Trust Deed which shall be payable in the form of Acquisition Fee Units; and (iv) the estimated professional and other fees and expenses of approximately S\$1.3 million to be incurred by LMIR Trust in connection with the Acquisition.

4 For the avoidance of doubt, the actual method of funding could be via debt financing facilities from banks and/or issuance of bonds and 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.

3.2 Six Months ended 30 June 2016

Pro Forma DPU

The pro forma financial effects of the Acquisition on the DPU for LMIR Trust for the six months ended 30 June 2016, as if LMIR Trust had purchased Lippo Mall Kuta on 1 January 2016, and held and operated Lippo Mall Kuta through to 30 June 2016, are as follows:

	As at 30 June 2016		
	Before the Acquisition⁽¹⁾	After the Acquisition	After the Acquisition Without Vendor Support via Master Leases & Service Charge
Distributable Income (S\$'000)	46,980	47,073	45,171
Units in issue and to be issued	2,802,992,873	2,805,616,669 ⁽²⁾	2,805,616,669 ⁽²⁾
DPU (cents)	1.68	1.68	1.61
Distribution yield (annualised)	9.60% ⁽³⁾	9.60% ⁽³⁾	9.20% ⁽³⁾

Notes:

- (1) Based on the 6M2016 Unaudited Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the acquisition fee in relation to the Acquisition (the "Acquisition Fee") in Units. Any Units issued by the Manager as payment of performance fees will only be issued at the end of each financial year in view of the requirements under the Property Funds Appendix that crystallisation of the Manager's performance fee should be no more frequent than once a year.
- (3) Based on the DPU divided by the closing price on 30 June 2016 of S\$ 0.35.

Pro Forma Net Asset Value ("NAV") per Unit

The pro forma financial effects of the Acquisition on the NAV per Unit as at 30 June 2016, as if LMIR Trust had purchased Lippo Mall Kuta on 30 June 2016, are as follows:

	As at 30 June 2016	
	Before the Acquisition⁽¹⁾	After the Acquisition
NAV (S\$'000)	1,061,250	1,062,070
Units in issue and to be issued	2,802,992,873	2,805,335,288 ⁽²⁾
NAV per Unit (cents)	37.86	37.86

Notes:

- (1) Based on the 6M2016 Unaudited Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the Acquisition Fee in Units.

Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of LMIR Trust as at 30 June 2016, as if LMIR Trust had purchased Lippo Mall Kuta on 30 June 2016.

	As at 30 June 2016	
	Actual ⁽¹⁾	As adjusted for the Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	150,000	150,000
Secured	-	-
Total short-term debt	150,000	150,000
Long-term debt:		
Unsecured	400,000	492,000
Secured	145,000	145,000
Total long-term debt	545,000	637,000
Total Debt	695,000	787,000
Unitholders funds	1,061,250	1,062,070
Total Capitalisation	1,756,250	1,849,070

Note:

(1) Based on the 6M2016 Unaudited Financial Statements.

3.3 Financial Year ended 31 December 2015

Pro Forma DPU

The pro forma financial effects of the Acquisition on the DPU for LMIR Trust for FY2015, as if LMIR Trust had purchased Lippo Mall Kuta on 1 January 2015, and held and operated Lippo Mall Kuta through to 31 December 2015, are as follows:

	FY2015		
	Before the Acquisition ⁽¹⁾	After the Acquisition	After the Acquisition Without Vendor Support via Master Leases & Service Charge
Distributable Income (S\$'000)	85,553	85,979	82,387
Units in issue and to be issued	2,797,814,196	2,801,035,685 ⁽²⁾	2,800,618,474 ⁽²⁾
DPU (cents)	3.10	3.11	2.99
Distribution yield	9.69% ⁽³⁾	9.72% ⁽³⁾	9.34% ⁽³⁾

Notes:

- (1) Based on the FY2015 Audited Consolidated Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of new Units in payment of (i) the Acquisition Fee in Units, and (ii) the performance fees as a result of additional Net Property Income after the Acquisition.
- (3) Based on the DPU divided by the closing price on 31 December 2015 of S\$ 0.32.

Pro Forma NAV per Unit

The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2015, as if LMIR Trust had purchased Lippo Mall Kuta on 31 December 2015, are as follows:

	As at 31 December 2015	
	Before the Acquisition ⁽¹⁾	After the Acquisition
NAV (S\$'000)	1,075,115	1,075,939
Units in issue and to be issued	2,797,814,196	2,800,389,641 ⁽²⁾
NAV per Unit (cents)	38.43	38.42

Notes:

- (1) Based on the FY2015 Audited Consolidated Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the Acquisition Fee in Units.

Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of LMIR Trust as at 31 December 2015, as if LMIR Trust had purchased Lippo Mall Kuta on 31 December 2015.

	As at 31 December 2015	
	Actual ⁽¹⁾	As adjusted for the Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	250,000	250,000
Secured	-	-
Total short-term debt	250,000	250,000
Long-term debt:		
Unsecured	300,000	392,000
Secured	145,000	145,000
Total long-term debt	445,000	537,000
Total Debt	695,000	787,000
Unitholders funds	1,075,115	1,075,939
Total Capitalisation	1,770,115	1,862,939

Note:

(1) Based on the FY2015 Audited Consolidated Financial Statements.

4. OTHER INFORMATION

4.1 Relative Figures Computed on the Bases set out in Rule 1006 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:

- (i) the net asset value of the assets to be disposed of, compared with net asset value (not applicable to the 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
- (iv) the number of equity securities issued as consideration for an acquisition, compared with the number of equity securities previously in issue.

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 (i) such transaction is in the ordinary course of LMIR Trust’s business or (ii) in the case of an acquisition of profitable assets, the only limit breached is the profit test set out in sub-paragraph 4.1(i) above.

None of the relative figures in relation to the Acquisition computed on the bases set out above exceed 20.0%. Furthermore, the 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 Acquisition using the applicable bases of comparison described in sub-paragraphs 4.1(ii) and 4.1(iii) are set out in the table below:

Comparison of:	The Property	LMIR Trust	Relative Figure
Net Property Income ⁽¹⁾⁽²⁾	Lippo Mall Kuta: S\$6.7 million	S\$158.6 million	4.2%
Purchase Consideration against LMIR Trust’s market capitalisation	Lippo Mall Kuta: S\$81.6 million ⁽³⁾	LMIR Trust’s market capitalisation: S\$1,051.1 million ⁽⁴⁾⁽⁵⁾	7.8%

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.
- (2) Based on the FY2015 Audited Consolidated Financial Statements.
- (3) Does not include transaction costs.
- (4) Based on the closing price of S\$0.375 per Unit on the SGX-ST on 8 August 2016.
- (5) Based on Units in issue as at 8 August 2016.

4.2 Opinion of the Audit and Risk Committee and Independent Financial Adviser

Pursuant to Rule 917(4)(a)(ii) of the Listing Manual, 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 (the “**Audit and Risk Committee**”), will obtain an opinion from KPMG Corporate Finance Pte Ltd, the independent financial adviser (the “**IFA**”), on whether or not the Acquisition and the Master Leases are (a) on normal commercial terms and (b) prejudicial to the interests of LMIR Trust and its minority Unitholders.

The Audit and Risk Committee will form its views after taking into account the opinion of the IFA.

5. 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 049321⁵ from the date of this announcement up to and including the date falling three months after the date of the Unitholders’ circular to be issued in relation to the Acquisition (the “**Unitholders’ Circular**”) seeking approval for the Acquisition:

⁵ Prior appointment with the Manager will be appreciated.

- (i) the Property CSPA (as supplemented and amended by the Supplemental Agreement);
- (ii) the Deed of Indemnity;
- (iii) the full valuation report issued by W&R;
- (iv) the full valuation report issued by Rengganis;
- (v) the FY2015 Audited Consolidated Financial Statements; and
- (vi) the 6M2016 Unaudited 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.

6. FURTHER DETAILS

The Unitholders' Circular in relation to the Acquisition, together with a notice of the EGM to be convened, will be despatched to Unitholders in due course after approval has been received from the SGX-ST in relation to the Unitholders' Circular.

By Order of the Board

LMIRT MANAGEMENT LTD.

(as manager of Lippo Malls Indonesia Retail Trust)

(Company registration number: 200707703M)

Ms Viven Sitiabudi

Executive Director

15 August 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.