



LIPPO MALLS INDONESIA RETAIL TRUST

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

ANNOUNCEMENT

PROPOSED TRANSFER OF THE MEDAN FAIR EXTENSION BUILDING

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.

1. INTRODUCTION

Further to the acquisition of Plaza Medan Fair ("**Medan Fair**") by Lippo Malls Indonesia Retail Trust ("**LMIR Trust**") which was completed on 6 December 2011, LMIRT Management Ltd., in its capacity as manager of LMIR Trust (the "**Manager**"), is pleased to announce that LMIR Trust, through its wholly-owned subsidiary, PT Anugrah Prima ("**PT AP**"), has on 9 October 2017 entered into a conditional transfer agreement ("**Transfer Agreement**") with PT Pilar Utama Sukses (the "**Vendor**") in relation to the proposed transfer (the "**Medan Fair Extension Transfer**") of the retail wing adjoining Medan Fair ("**Medan Fair Extension**") to PT AP. The construction of the Medan Fair Extension was completed in September 2013.

The Vendor is a limited liability company incorporated in Indonesia and is a wholly-owned subsidiary of PT Metropolis Propertindo Utama ("**PT MPU**"), which is a company primarily involved in the development and ownership of investment properties. The Vendor is 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 Medan Fair Extension Transfer is not an interested person¹ transaction or an interested party² 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.

Medan Fair Extension will be held by LMIR Trust under the same "build, operate and transfer" scheme³ ("**BOT Scheme**") under which Medan Fair is held, where PT AP is the BOT grantee ("**BOT Grantee**").

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 Medan Fair and Medan Fair Extension are under the same BOT Scheme. A BOT Scheme is common in Indonesia for the following reasons:

Further details in respect of the structure of the Medan Fair Extension Transfer are set out at paragraph 2 below.

2. THE MEDAN FAIR EXTENSION TRANSFER

2.1 Description of Medan Fair Extension

Medan Fair Extension, which is located at Jl. Gatot Subroto No.30, Sekip, Medan Petisah, Kota Medan, Sumatera Utara 20113, Indonesia and which adjoins Medan Fair, comprises a four-storey mall building with a roof top floor and a car park building connected to the existing mall from the basement floor. Medan Fair Extension has a net lettable area of 8,345 sq m.

2.2 Valuation and Consideration

The total cost of the Medan Fair Extension Transfer, comprising the consideration of Rp. 150.0 billion⁴ (S\$16.1 million) (the “**Consideration**”), the acquisition fee⁵ of S\$31,000 (the “**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 taxes, professional and other fees and expenses⁶ of approximately S\$0.4

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- (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 land owner (“**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 (the “**BOT Agreement**”) 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.
- 4 Pursuant to the conditional sale and purchase agreement dated 30 September 2011 between the Trustee and Asiana Investment Limited (“**Asiana**”) in relation to the acquisition of Medan Fair by LMIR Trust (“**Medan Fair CSPA**”) which was completed on 6 December 2011, the Consideration is computed with the formulae: (Net Distributable Income / 7.75%). Based on the audited accounts of the Vendor for the financial year ending 31 December 2016, the Consideration is computed to be Rp. 150.0 billion. The Medan Fair CSPA requires commissioning of a valuation for Medan Fair Extension, whereby if the Consideration exceeds 110% of the valuation, the Consideration will be reduced to the valuation figure. KJPP Willson dan Rekan (in association with Knight Frank) (the “**Independent Valuer**”) has been appointed by the Trustee to value Medan Fair Extension. The appraised value of Medan Fair Extension (as at 30 April 2017) is Rp. 138.4 billion (S\$14.8 million) and so the Consideration does not exceed 110% of the appraised value.
- 5 Being 1.0% of the Consideration net of the Medan Fair Adjustment Sum (as defined below).
- 6 For the avoidance of doubt, each party is responsible for the payment of all taxes payable in connection with the Medan Fair Extension Transfer (including sales tax).

million to be incurred by LMIR Trust in connection with the Medan Fair Extension Transfer, is estimated to be approximately S\$16.5 million (the “**Total Transfer Cost**”).

2.3 Method of Financing

The Total Transfer Cost will be paid in cash and is expected to be financed from proceeds from the perpetual securities issued on 19 June 2017 and from internally generated funds.

Pursuant to the Medan Fair CSPA which was completed on 6 December 2011, Asiana had agreed to seek an extension of the BOT Agreement for Medan Fair from 2027 to 2032. As the BOT Agreement has not been extended to date, PT MPU has on behalf of Asiana, agreed to pay LMIR Trust the Medan Fair adjustment sum of Rp. 121.0 billion (S\$13.0 million) (the “**Medan Fair Adjustment Sum**”). The completion of the Medan Fair Extension Transfer is conditional upon, among others, the receipt by LMIR Trust of the Medan Fair Adjustment Sum. Should PT MPU successfully obtain an extension of the BOT Agreement until 2032 within 18 months from the completion of the Medan Fair Extension Transfer, LMIR Trust shall pay the Medan Fair Adjustment Sum back to PT MPU.

2.4 Conditions Precedent and Conditions Subsequent to the Completion of the Medan Fair Extension Transfer

Completion of the Medan Fair Extension Transfer is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following key conditions precedent:

- (a) there being no compulsory acquisition of Medan Fair Extension or any part of it, and no notice of such intended compulsory acquisition or resumption has been given, by the government or other competent authority;
- (b) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the Medan Fair Extension Transfer having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to PT AP and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect;
- (c) no statute, regulation or decision which would prohibit, restrict or materially delay or adversely affect the Medan Fair Extension Transfer having been proposed, enacted or taken by any governmental or official authority;
- (d) the entry into the Deed of Indemnity (as defined below);
- (e) the full payment of the Medan Fair Settlement Sum concurrently with the payment of the Consideration; and
- (f) the obtainment of the Building Construction Permit (*Izin Mendirikan Bangunan*) in relation to Medan Fair Extension to the satisfaction of PT AP.

In addition, the Vendor has undertaken to use best endeavours to obtain, or to assist PT AP in obtaining, certain amendments to the BOT Agreement to change the use of the land to retail instead of hotel and to obtain approval from the BOT Grantor for, among others, the construction, operation or transfer of Medan Fair Extension, within 18 months after completion of the Medan Fair Extension Transfer.

2.5 Indemnity in relation to Transfer Agreement

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, among others, the Transfer Agreement (the “**Deed of Indemnity**”).

2.6 Related Tenancy Agreements relating to the Medan Fair Extension

Upon completion of the Medan Fair Extension Transfer, and assuming the completion of the novation of all of the leases of Medan Fair Extension to PT AP⁷, LMIR Trust will, through PT AP, take over all of the tenancy agreements with respect to Medan Fair Extension, including various tenancy agreements entered into by certain lessees over which certain beneficial owners of the Sponsor exercise control (the “**Related Tenancy Agreements**”). The aggregate rental fees derived or to be derived from the Related Tenancy Agreements is estimated at Rp. 1.5 billion (S\$0.2 million) as at 30 September 2017. The amount of space taken up and the value of each of the Related Tenancy Agreements (together with the value of the property insurance for Medan Fair Extension (“**Property Insurance**”) obtained from an insurance provider over which certain beneficial owners of the Sponsor exercise control) are set out in **Appendix A**. The percentage of net tangible assets (“**NTA**”) and net asset value (“**NAV**”) accounted for by the Related Tenancy Agreements and by the Property Insurance is also set out in **Appendix A**.

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 compared to the market rental rates according to the Independent Valuer’s opinion in its valuation report are shown below:

No.	Tenant	Area (sq m)	Actual Rental Rate (Rp. / sq m / month)	Market Rental Rate from Independent Valuer (Rp. / sq m / month)
1	Boltzone	122.16	219,350	312,832
2	Mataharimall.com	4.00	575,000	646,100
3	Mataharimall.com	8.00	310,500	1,540,000
4	Sekolah Dian Harapan (SDH)	1,318.53	29,250	61,807

3. RATIONALE FOR THE MEDAN FAIR EXTENSION TRANSFER

The Medan Fair Extension was contemplated to be built pursuant to the Medan Fair CSPA. As Medan Fair Extension has reached a stabilisation stage, and having been built as an adjoining wing to Medan Fair, the Manager is of the view that Medan Fair Extension will be synergistic for LMIR Trust with the existing Medan Fair and will also further enhance the tenancy mix and allow LMIR Trust to offer even more retail and food and beverage options to visitors to Medan Fair.

⁷ The Vendor will procure that leases over at least 50% of the net leasable area of Medan Fair Extension shall be novated to PT AP on or before completion of the Medan Fair Extension Transfer, with the remaining leases to be novated within six months thereafter provided that PT AP shall be entitled to receive all amounts payable under such leases from the completion of the Medan Fair Extension Transfer.

4. INTERESTED PERSON TRANSACTION AND INTERESTED PARTY TRANSACTION

4.1 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"⁸ of LMIR Trust and a "Controlling Shareholder"⁹ of the Manager respectively under both the Listing Manual and the Property Funds Appendix.

Certain beneficial owners of the Sponsor exercise control over PT Prima Wira Utama, PT Solusi Ecommerce Global and PT Grahaputra Mandiri Kharisma, being the lessees under the Related Tenancy Agreements, and PT Lippo Insurance Tbk, being the provider of the property insurance for Medan Fair Extension, and for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, such entities are considered interested persons of LMIR Trust.

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 of the latest transaction and all future transactions entered into with that same interested person during that financial year.

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\$47.6 million, which is approximately 3.92% 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 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.

8 "**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.

9 "**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.

4.2 Audit and Risk Committee Statement

Given that (i) 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 and having considered the rationale for the Medan Fair Extension Transfer and (ii) the insurance provider of the Property Insurance currently provides insurance for LMIR Trust's other properties and there will be continuity in coverage and a smooth claims process, the audit and risk committee of the Manager, comprising Mr Lee Soo Hoon Phillip, Mr Goh Tiam Lock and Mr Douglas Chew, is of the view that the Related Tenancy Agreements and the Property Insurance are made on normal commercial terms and are not prejudicial to the interests of LMIR Trust and its minority Unitholders.

5. PRO FORMA FINANCIAL EFFECTS OF THE MEDAN FAIR EXTENSION TRANSFER

5.1 Pro Forma Financial Effects of the Medan Fair Extension Transfer

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 Transfer.

The pro forma financial effects of the Medan Fair Extension Transfer 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 financial year ended 31 December 2016 ("**FY2016 Audited Financial Statements**") and the unaudited consolidated financial statements of LMIR Trust for the six months ended 30 June 2017 (the "**6M2017 Unaudited Financial Statements**"), assuming:

- (a) the Total Transfer Cost, comprising the Consideration, the Acquisition Fee, as well as the professional and other fees and expenses, is S\$16.5 million;
- (b) Value-added tax ("**VAT**") of S\$1.6 million; and
- (c) S\$5.1 million, being the Total Transfer Cost and VAT less the Medan Fair Adjustment Sum of S\$13.0 million will be paid to the Vendor in cash and is expected to be financed from proceeds from the perpetual securities.

5.2 Financial Year ended 31 December 2016

Pro Forma DPU

The pro forma financial effects of the Medan Fair Extension Transfer on the DPU for FY2016, as if LMIR Trust had purchased the Medan Fair Extension on 1 January 2016, and held and operated Medan Fair Extension through to 31 December 2016, are as follows:

	FY2016	
	Before the Medan Fair Extension Transfer ⁽¹⁾	After the Medan Fair Extension Transfer
Distributable Income (S\$'000)	95,468	96,119
Units in issue and to be issued	2,802,992,873	2,803,145,840

	FY2016	
	Before the Medan Fair Extension Transfer ⁽¹⁾	After the Medan Fair Extension Transfer
DPU (cents)	3.41	3.43
Distribution Yield ⁽²⁾	9.22%	9.27%

Notes:

(1) Based on the FY2016 Audited Financial Statements.

(2) 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 Medan Fair Extension Transfer on the NAV per Unit as at 31 December 2016, as if LMIR Trust had purchased Medan Fair Extension on 31 December 2016, are as follows:

	As at 31 December 2016	
	Before the Medan Fair Extension Transfer ⁽¹⁾	After the Medan Fair Extension Transfer
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.

5.3 Six Months ended 30 June 2017

Pro Forma DPU

The pro forma financial effects of the Medan Fair Extension Transfer on the DPU for the six months ended 30 June 2017 ("6M2017"), as if LMIR Trust had purchased the Medan Fair Extension on 1 January 2017, and held and operated Medan Fair Extension through to 30 June 2017, are as follows:

	6M2017	
	Before the Medan Fair Extension Transfer ⁽¹⁾	After the Medan Fair Extension Transfer
Distributable Income (S\$'000)	50,566	50,831
Units in issue and to be issued	2,823,987,723	2,824,052,334
DPU (cents)	1.79	1.80
Distribution Yield (annualized) ⁽²⁾	8.04%	8.09%

Notes:

(1) Based on the 6M2017 Unaudited Financial Statements.

(2) Based on the annualized DPU divided by the closing price on 30 June 2017 of S\$0.445 .

Pro Forma NAV per Unit

The pro forma financial effects of the Medan Fair Extension Transfer on the NAV per Unit as at 30 June 2017, as if LMIR Trust had purchased Medan Fair Extension on 30 June 2017, are as follows:

	As at 30 June 2017	
	Before the Medan Fair Extension Transfer ⁽¹⁾	After the Medan Fair Extension Transfer
NAV (S\$'000)	1,037,784	1,037,784
Units in issue and to be issued	2,823,987,723	2,823,987,723
NAV per Unit (cents)	36.75	36.75

Note:

(1) Based on the 6M2017 Unaudited Financial Statements.

6. 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 thereafter¹⁰:

- (i) the Transfer Agreement;
- (ii) the full valuation report on Medan Fair Extension issued by the Independent Valuer;
- (iii) the Deed of Indemnity;
- (iv) the FY2016 Audited Financial Statements; and
- (v) the 6M2017 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.

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
9 October 2017

¹⁰ Prior appointment with the Manager (telephone: +65 6410 9138) will be appreciated.

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.

APPENDIX A

Related Party Agreements

No.	Interested person	Nature of Transaction	Area (sq m)	Start date	Term (years)	Value of transaction (after 30 Sep 2017) (Rp.) ⁽¹⁾	Value of transaction (after 30 Sep 2017) (S\$) ⁽²⁾	Percentage of NTA (as at 31 Dec 2016) ⁽³⁾	Percentage of NAV (as at 31 Dec 2016) ⁽⁴⁾
1	PT Prima Wira Utama	Lease Agreement for Boltzone	122.16	1 May 2016	3	531,629,326	56,959	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
2	PT Solusi Ecommerce Global	Lease Agreement for Mataharimall.com	4.00	9 December 2016	1	4,600,000	493	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
3	PT Solusi Ecommerce Global	Lease Agreement for Mataharimall.com	8.00	1 November 2016	1	2,484,000	266	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
4	PT Grahaputra Mandiri Kharisma	Lease Agreement for Sekolah Dian Harapan (SDH)	1,318.53	24 July 2017	2	848,474,055	90,906	0.01%	0.01%
5	PT Lippo Insurance Tbk	Property All Risk Insurance	-	1 August 2017	1	37,073,145	3,972	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
6	PT Lippo Insurance Tbk	Earthquake Insurance	-	1 August 2017	1	63,713,650	6,826	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
7	PT Lippo Insurance Tbk	Terrorism and Sobotage Insurance	-	1 August 2017	1	21,750,506	2,330	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
8	PT Lippo Insurance Tbk	Machinery Breakdown Insurance	-	1 August 2017	1	6,740,438	722	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
9	PT Lippo Insurance Tbk	Public Liability Insurance	-	1 August 2017	1	10,050,000	1,077	0.00% ⁽⁵⁾	0.00% ⁽⁵⁾
Total:						1,526,515,120	163,551	0.01%	0.01%

Notes:

- (1) Value of remaining contract tenure from 1 October 2017 onwards assuming that completion of the Medan Fair Extension Transfer had occurred on 1 October 2017.
- (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%.