



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

## **RESPONSE TO SGX-ST'S QUERIES ON 2019 FULL YEAR UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**

LMIRT Management Ltd., in its capacity as manager of Lippo Malls Indonesia Retail Trust ("**LMIR Trust**"), wishes to announce the following in response to the SGX-ST's queries regarding the 2019 Full Year Unaudited Financial Statements and Distribution Announcement dated 19 February 2020:

### **SGX-ST's Query 1**

The Trust recorded S\$11.1 million unrealized loss on hedging contracts for YTD 2019. Please provide details and size of the hedging contracts undertaken and reason why such a significant unrealized loss was reported.

### **Company's Response**

In order to protect LMIR Trust's earnings from interest rate volatility and provide a steady return to Unitholders, the Manager actively manages its interest rate exposure in the short to medium term by using fixed rate debt and interest rate derivatives including interest rate swaps. In June 2019, LMIR Trust issued a USD250 million 5-year Guaranteed Senior Notes (the "Note") with a coupon rate of 7.25% per annum through its wholly owned subsidiary, LMIRT Capital Pte Ltd. Cross currency swap agreements were entered into pursuant to which the USD250 million proceeds of the Notes were swapped into Singapore dollars with a weighted average fixed interest rate of 6.71% per annum payable semi-annually in arrears. In addition, the Manager entered into SGD interest rate swaps to convert the floating interest rate payment obligations underlying LMIR Trust's SGD310 million of bank loans into fixed interest rate payment obligations. Since the entry of the hedging contracts, global interest rates have declined. Consequently resulted in the unrealised losses when such hedging contracts were marked-to-market, with the cross currency swap contracts accounting for approximately SGD9.3 million out of the SGD11.1 million unrealised loss and the balance largely attributed to the SGD interest rate swap contracts. Nevertheless, as such unrealized hedging losses were non-cash in nature, there was no impact on the distribution to unitholders.

### **SGX-ST's Query 2**

The Trust recorded S\$65.3 million decrease in fair value of investment properties for YTD 2019:

- a. To explain the reasons for the significant decrease in fair value of investment properties.
- b. To disclose properties which significantly declined in value as well as the methodology and assumptions of valuation.

### **Company's Response**

LMIR Trust owns a portfolio of investment properties comprising 23 retail malls and seven retail spaces. The investment properties are valued annually by independent valuers in rupiah terms and subsequently translated into SGD for reporting purposes. As at 31 December 2019, LMIR Trust's portfolio of investment properties was valued at IDR18,793.0 billion (after taking into consideration net capital

expenditure incurred during the year). A fair value loss of IDR 674.3 million (or SGD 65.3 million) was recognized when compared to the fair value of the portfolio at IDR 19,420.9 billion as of 31 December 2018.

All fair value measurements of investment properties are based on the discounted cashflow method which is in line with the methodology LMIR Trust has been using and there are no significant changes in the assumptions used in deriving the values. The discount rate was at 12.1% to 13.3% (2018: 12.4% to 13.5%), growth rates were at 3% to 6% (2018: 3% to 6.7%) and terminal discount rates ranged from 8% to 10% (2018: 8% to 10%).

The decrease in the fair value is mainly attributed to the following factors:

- a) The expiry of master leases at Lippo Mall Kemang on 16 December 2019 coupled with the challenging car park business environment from increasing usage of ride-hailing services as described in LMIR Trust's 3Q2019 Financial Results Announcement on 7 November 2019 resulted in a fair value loss of SGD45.9 million. To mitigate the negative impact on the Trust's rental income, the Manager is actively managing the tenancy mix of Lippo Mall Kemang, including converting the Matahari Departmental Store space into specialty and entertainment outlets; and
- b) On 30 December 2019, the Manager announced that it entered into conditional sale and purchase agreements ("CSPA") with NWP Retail on the divestment of two of the properties, Pejaten Village and Binjai Supermall for a total sale consideration of Rp 1,280.7 billion (SGD124.1 million). These two assets have been reclassified as Investment properties held for divestment at the reporting date. The value recorded at the reporting date is the actual sale consideration of these two assets, in accordance with IFRS. The difference between the sales consideration and the 2018 fair value amounted to approximately SGD17.3 million.

### **SGX-ST's Query 3**

Investments in subsidiaries decreased from S\$1.52 billion to S\$1.46 billion for the current reporting period. To quantify and explain reasons which caused the significant decline in value amounting to S\$57.45 million.

### **Company's Response**

The Trust invests in the investment properties through its wholly owned subsidiaries in Singapore and Indonesia. In turn, the Trust receives distributions from these subsidiaries in the form of dividends from operations or from capital repayment. The shortfall in value of investment at the Trust level was mainly due to impairments provided following the decrease in the fair value of the subsidiaries' underlying assets when compared to their original investment cost, with Lippo Mall Kemang accounting for SGD34.8 million of such impairments. The remaining reduction in investment in subsidiaries was mainly attributed to capital repayments by the Trust's subsidiaries when they distributed cash back to the Trust.

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  
2 March 2020