



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

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## RESPONSE TO SGX-ST'S QUERY

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LMIRT Management Ltd., in its capacity as manager of Lippo Malls Indonesia Retail Trust (“**LMIR Trust**” or “**LMIRT**” and as manager of LMIR Trust, the “**Manager**”) sets out its response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 6 August 2020 in relation to LMIR Trust’s unaudited financial statements and distribution announcement for the second quarter 2020 (“**2Q 2020**”) and financial period from 1 January 2020 to 30 June 2020 (“**1H 2020**”) dated 24 July 2020:

### SGX-ST’s Query

It is noted under Page 5 under Footnote 4:

*“Footnote 4: The carrying values of the properties are stated based on the independent valuation as at 31 December 2019 and adjusted for property enhancements to-date. The valuations figures are recorded in the financial statements in Indonesian Rupiah and translated into Singapore Dollar using the respective exchange rate as at the end of each period. Increase in investment properties is mainly due to appreciation of Indonesian Rupiah against Singapore Dollar. Valuations of investment properties would be subject to significant estimation uncertainty. The Covid-19 outbreak has negatively affected the retail sector in Indonesia where the Trust’s investment properties are located. Given that the potential impact of Covid-19 is constantly evolving, significant market uncertainty exists. The carrying values of the investment properties may change significantly after the balance sheet date.”*

Our Regulator’s Column of 27 July 2020 titled “What SGX RegCo expects of financial reports amid COVID-19” dated 27 July 2020 provides amongst others that:-

*“Boards and management should carefully assess if asset values are appropriately reported in the interim financial statements. They should review whether the effects of COVID-19 present any indication that the asset values as at the previous financial year-end have changed significantly. The assessment of the impact and its associated uncertainties should be clearly explained.*

*Disclosures are expected to be entity-specific, relevant and useful to investors. Issuers must eschew boilerplate disclosures, such as broad or generic statements that COVID-19 have negatively impacted the valuation measurements, without elaborating on the effects on each business segment. Disclosures must also be balanced and fair and avoid omission of important unfavourable facts.*

*Financial statements should provide comparable and relevant information that adequately reflects the impact of COVID-19 on the issuer. Timely disclosure of any changed circumstances will enable investors to make an informed investment decision.”*

- a) Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic which would be prevailing as at 1H 2020, please state whether and how LMIRT would have disclosed all material information relating to the value of its investment properties to enable investors to make informed investment decisions;

- b) Please explain whether and how the Board of Directors has addressed its mind to the carrying amounts of LMIRT's investment properties for 1H 2020 and decided if any material change is required, in view of the current COVID-19 situation;
- c) Please provide the assessment by the Board of Directors as to whether it is possible and if so, please quantify any impact on the carrying amounts of LMIRT's investment properties for 1H 2020. If no, please provide us with the bases for your view(s); and
- d) Taking into consideration the responses of LMIRT to the above queries (a) to (c), please clarify as to whether the Board of Directors has considered if the interim financial statements provide a balanced and fair view of any material factors that have affected the issuer's business conditions and financial position, including the impact of COVID-19.

**Manager's Response:**

- a) In accordance with the requirements under Appendix 6 of the Code on Collective investment Schemes ("**Property Funds Appendix**"), LMIR Trust conducts property valuations of each asset in its portfolio on an annual basis in December. As disclosed in our unaudited financial statements and distribution announcement for the 2Q 2020 and 1H 2020 financial period dated 24 July 2020, the carrying values of the LMIR Trust's properties are stated based on the independent valuation as at 31 December 2019.

Although some of our retail malls gradually re-opened from May 2020 onwards due to differing regulations across Indonesia, it was not until 2 July 2020 that all of our retail malls within LMIRT's portfolio, were fully re-opened for operations. In addition, during such re-opening, regional regulators continued to implement strict health protocols and measures on social distancing, including limited operating hours, 50% capacity limits on shopper traffic as well as restrictions on operations of entertainment outlets. Given the on-going COVID-19 pandemic situation in Indonesia, the above restrictions on operations coupled with travel restrictions imposed on both domestic and international residents, the Board of Directors has considered the carrying values of LMIR Trust's investment properties as at 1H 2020 and was of the view that it was too premature then to conclude with precision whether COVID-19 will have any material impact on the carrying values of our investment properties. Nevertheless, further information on the impact of COVID-19 in relation to the mall operations, tenant support measures, financial position and outlook have been provided on pages 15 to 19 of LMIR Trust's 2Q 2020 financial results presentation slides, which was also released on 24 July 2020, to provide investors with additional information to make informed investment decisions.

- b) As mentioned above, it was premature to make a reliable assessment during 1H 2020 of the impact on the carrying values of LMIR Trust's assets by reason of the market uncertainties brought about by the pandemic when our retail malls were closed in March 2020. These uncertainties included the duration of COVID-19 and its recurring impact to the economy as a whole and lack of sufficient visibility of important valuation assumptions such as future cash flows and market transactions.

From 2 July 2020, except for cinemas, gyms and entertainment outlets which remain closed, 92.4% of tenants by net lettable area have resumed operations with safety measures in place. Given the gradual resumption of operations, ability to engage with tenants with respect to sales alongside monitoring of shopper traffic and their associated behaviour since re-opening, the Board of Directors believes that it is now an opportune time and that it is in a better position to

assess the impact of COVID-19 on the carrying amount of our investment properties. Consequently, ahead of the originally scheduled annual valuation exercise to be conducted at the end of December 2020 which is in accordance with the requirements under the Property Funds Appendix, the Manager has initiated the process of conducting a desktop revaluation of its investment properties with our appointed independent valuers which is expected to be completed in the third quarter of 2020. The details of the desktop revaluation will be disclosed on SGXNET once available.

- c) Please see the responses to question (b) above.
- d) The ongoing COVID-19 pandemic situation in Indonesia and lack of visibility of how it would continue to evolve has created uncertainty over the ultimate impact on LMIR Trust. Given the evolving situation as explained above, the Board of Directors is of the view that it has provided, to the best of its knowledge, a balanced and fair view of the material factors that affect LMIR Trust's business conditions and financial position, including the impact of COVID-19 as of 1H 2020.

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

11 August 2020

## **IMPORTANT NOTICE**

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

The value of Units and the income derived from them, if any, may fall or rise. 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. The past performance of LMIR Trust is not necessarily indicative of the future performance of LMIR Trust.

Investors have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement 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. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.