



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

ANNOUNCEMENT RESPONSE TO SGX-ST QUERY

LMIRT Management Ltd., in its capacity as manager of Lippo Malls Indonesia Retail Trust (“**LMIR Trust**”, as manager of LMIR Trust, the “**Manager**”), sets out its response to the queries raised by the Singapore Exchange Trading Securities Trading Limited (“**SGX-ST**”) on 2 March 2023 in relation to LMIR Trust’s unaudited financial statements for the fourth quarter (“**4Q2022**”) and full year ended 31 December 2022 (“**FY2022**”) dated 24 February 2023 (the “**Results Announcement**”):

Question 1:

We note that the Trust recorded a decrease in fair value of derivative financial instruments amounting to \$29.8 million for the year ended 31 December 2022.

(a) Please provide a breakdown of \$29.8 million and elaborate on the significant fluctuations for the relevant periods.

(b) Please provide details of what the derivatives financial instruments are and explain how they had incurred such a significant decline in fair value.

Manager’s Response to Question 1:

The breakdown of the (decrease)/increase in fair value of derivative financial instruments for FY2022 and the year end 31 December 2021 (“**FY2021**”) are as follows:

Type of derivative financial instruments	Increase / (Decrease) in fair value for	
	FY2022 S\$'000	FY2021 S\$'000
1. US\$250.0 million cross currency swap contracts	(6,474)	8,816
2. US\$180.0 million cross currency swap contracts	(23,690)	(5,962)
3. Currency option contracts	(28)	(434)
4. Interest rate swap contracts	343	6,066
Total	(29,849)	8,486

The Trust is exposed to foreign currency risks and interest rate risks as its income streams and properties are mainly denominated in IDR and certain borrowings, in particular, the guaranteed senior notes, are denominated in USD. To reduce these exposures, the Trust entered into derivative financial instrument contracts from time to time to hedge against

changes in foreign currency exchange rates and interest rates. The Trust entered into cross currency swap contracts to swap proceeds from the US\$250.0 million and part of the US\$200.0 million guaranteed senior notes and the corresponding interest coupon payments from USD into SGD obligations and the interest rate from fixed to floating for part of the US\$200.0 million guaranteed senior notes. Currency option contracts were entered into swap IDR to SGD to mitigate fluctuations of income denominated in IDR arising from dividends received or receivable by the Trust from foreign subsidiaries, and capital receipts from repayment of shareholders loans by foreign subsidiaries to the Trust. Interest rate swaps were entered into to convert floating rate borrowings to fixed rate exposure.

Pursuant to FRS 109 *Financial Instruments*, derivative financial instruments are measured at fair values using valuation techniques that include forward pricing, swap models, and present value calculations, with various inputs including foreign exchange spot and forward rates and interest rates. The variation in the inputs, including foreign exchange spot and forward rates and interest rates used in the valuation, will impact the fair value of these derivative financial instruments.

The significant decrease in fair values as at 31 December 2022 for (1) US\$250.0 million cross currency swap contracts was mainly due to fluctuations of USD and interest rates as a lower USD exchange rate and higher USD fixed interest rates were used in the fair value calculation for the future cashflow of the swap contracts compared to the contracted fixed exchange and fixed interest rate and (2) US\$180.0 million cross currency swap contracts was mainly due to higher SGD floating interest rates being used in the fair value calculation for the future cashflow of the swap contracts.

In assessing the fair value of derivative financial instruments for each reporting period, the Board considered the fair valuation reports provided by the counterparties of the derivative contracts, which are MAS-licensed banks.

In addition, as part of their annual audit of the financial statements of the Group, our external auditors, RSM Chio Lim LLP, had reviewed the fair value of the derivative financial instruments as at year end.

Question 2:

Please disclose:

(a) the ageing profile of the Group's trade receivables, segregated into outside parties and related parties, in bands of 3 months (with the upper limit disclosed);

(b) what are the credit terms granted to the outside parties and related parties. Please also explain why the related parties are unable to repay within the credit terms;

(c) whether the relevant tenants are still renting from the Trust; and

(d) the Board's assessment on the recoverability of the Group's trade receivables, and the basis for such an assessment.

Manager's Response to Question 2:

The breakdown of trade receivables of the Group as at 31 December 2022 is as follows:

	2022	2021
	S\$'000	S\$'000
Outside parties	36,089	39,412
Related parties	7,008	11,444
Less: Allowance for impairment		
Outside parties	(9,726)	(11,583)
Related parties	(690)	(469)
	<u>32,681</u>	<u>38,804</u>

The breakdown of ageing profile, in bands of 3 months segregated into outside parties and related parties of the Group's trade receivables as at 31 December 2022 is as follows:

	Up to 3	4 to 6	7 to 9	10 to 12	Above	Above	Total
	months	months	months	months	one year	two	Total
	S\$'000	S\$'000	S\$'000	S\$'000	and less	years	S\$'000
					than two	S\$'000	
					years		
					S\$'000		
Outside parties	18,125	4,666	1,427	2,027	3,815	6,029	36,089
Related parties	4,856	434	203	284	267	964	7,008
Total	<u>22,981</u>	<u>5,100</u>	<u>1,630</u>	<u>2,311</u>	<u>4,082</u>	<u>6,993</u>	<u>43,097</u>

Credit term granted to outside parties and related parties is 30 days. There is no difference in credit term granted to outside parties and related parties. The outstanding balances from related parties which were not settled within credit term granted comprise mainly (1) trade receivables amounting to S\$2.1 million from related parties which operates in sectors (such as entertainment and schools) that had been significantly impacted by the Covid-19 pandemic; (2) billings for rentals, services charges, utilities recovery and other charges relating to

operation where payment required verifications and reconciliation of accounts between the parties. These related party tenants have committed to certain repayment plans on the outstanding dues.

As of the date of this announcement, tenants (both related and unrelated parties) accounted for 83.6% of the value of the outstanding trade receivables, continue to rent spaces within the Trust's properties, while the remaining 16.4% of the value of the outstanding trade receivables are due from unrelated party tenants that no longer rent spaces within the Trust's properties.

Allowance for impairment for trade receivables were made based on the lifetime expected credit losses ("ECL") model adopted by the Manager in accordance with FRS 109 *Financial Instruments*. Lifetime ECL are expected credit losses that result from all possible default events over the expected life of the trade receivables. ECL are the weighted average credit losses with the probability of default as the weight. An ECL matrix was set up based on the historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The Manager has also assessed the specific tenants' receivables based on their credit profile and made provisions when collectability of certain receivables is in doubt.

In the assessment of recoverability of trade receivables, the Board has considered the security deposits and the advance rental from tenants which may be utilised for the settlement of outstanding account receivables, payment history and committed repayment plan of the tenants, as well as the ECL assessment by the Management. Based on these assessments, although there is no 100% guarantee of recoverability of outstanding trade receivables (unrelated parties and related parties), the Board is of the opinion that any non-recoverability, should it occur, would not have a material impact on the financial position of the Trust and that the level of trade and receivables provisioning made is adequate to cover any such losses.

Question 3:

Please disclose the status on the use of \$281.0m proceeds raised from the rights issue on 21 January 2021 and whether the use of the proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purposes, please provide a breakdown with specific details on how the proceeds have been applied.

Manager's Response to Question 3:

As per announcement dated 1 March 2021 in relation to the update on the use of proceeds from the rights issue. Out of the original amount of S\$281.0 million, S\$270.3 million was used in accordance with the stated uses. The balance of the proceeds, amounting to S\$10.7 million (including S\$2.8 million from the proceeds originally allocated for general working capital expenses), were fully utilised for repayment of an uncommitted revolving credit facility of S\$40.0 million, as the actual acquisition cost, rights issue expenses and debt financing expenses were lower than original estimates at point of rights issuance.

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

Singapore
6 March 2023

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