Issuer: LMIRT Management Ltd
Security: Lippo Malls Indonesia Retail Trust

Meeting details:
Date: 21 April 2017
Time: 14:00H
Venue: Oriental Ballroom, Lobby Level at Mandarin Oriental Singapore, 5 Raffles Avenue, Marina Square, Singapore 039797

Company Description
Lippo Malls Indonesia Retail Trust is a real estate investment trust externally managed by Lippo-Mapletree Indonesia Retail Trust Management Ltd. The fund engages in owning and investing in real estate. It primarily invests in retail and retail-related purposes. The fund was formerly known as Lippo-Mapletree Indonesia Retail Trust. Lippo Malls Indonesia Retail Trust was formed on August 8, 2007 and is domiciled in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=D5IU)

Q1. The REIT had acquired Lippo Plaza Batu and Palembang Icon malls in FY2015 at a combined purchase cost of IDR1055 billion. The group then acquired Lippo Mall Kuta for a purchase consideration of IDR800.0 billion in FY2016. In the Portfolio summary (page 30), the details of the malls, including valuation as at 31 December 2016, occupancy and number of tenants, are shown in the table.

a) **Can the REIT manager provide unitholders with an update if the newly acquired assets have performed up to expectations?**

The acquisition of Lippo Mall Kuta was funded by debt while 67,567,000 units ("Consideration Units") were issued at an issue price of $0.37 per unit as part of the consideration for the acquisitions of Lippo Plaza Batu and Palembang Icon in 2015. The Consideration Units, upon issue and allotment, rank pari passu in all respect with the units prior to the Consideration Units, and are entitled to any distributions from the period from 5 August 2015, being the date on which the Consideration Units were issued.

The consideration units were issued at a discount to net asset value and ranked pari passu for any distributions thereafter.

b) **Can unitholders understand from the REIT manager the circumstances in which it would issue new consideration units at discount to the net asset value? Would the REIT manager consider issuing units only at prices above the net asset value so that it would not dilute existing unitholders?**

Q2. Unitholders would also like to ask the REIT manager about the following operational and financial matters regarding the REIT.

Weighted Average Lease Expiry: The weighted average lease expiry (by net lettable area) as at 31 December 2016 was 4.51 years. As shown in Operations review (page 32), nearly a quarter of the leases will be up for renewal in 2017.

a) **What is the weighted average lease expiry by gross rental income?**

b) **Has management already started on the negotiation with the tenants?**

c) **Based on the local conditions, are there challenges to renew or to re-let the expiring leases? What are management's target for the rental reversion?**

Weighted Average Maturity of Debt Facilities: The Weighted Average Maturity of Debt Facilities is 2.59 years as at 31 December 2016, an improvement from 2.0 years as at 31 December 2015. Following the issue of the S$140 million 7.00% Subordinated Perpetual Securities in September 2016, the total debt is lower at S$651 million as at 31 December 2016 and gearing ratio of 31.5% even though the REIT acquired Lippo Mall Kuta in 2016.

d) **Is the weighted average maturity of debt facilities at 2.0 years ideal?**

e) **Has the board set a range for the average maturity of debt facilities?** A longer period would give the REIT more time and flexibility to work out the refinancing.

f) **What is LMIR Trust's ongoing cost of debt capital?**

g) **Following the issue of the perpetual securities, what is the targeted capital structure?**

Q3. In the "Capital management" section (page 39), the manager describes its prudent capital management strategy by which the REIT will adopt and maintain a conservative gearing level as well as an active currency and interest rate management policy.

70% of the REIT's borrowings are on fixed rates so the interest rates risks have been mininised to a manageable level.

As for foreign exchange risks relating to the expected distributions, LMIR Trust has entered into foreign exchange hedges to hedge its estimated quarterly cash flows in Indonesian Rupiah until the end of 2018 (page 39).

However, there still is a large currency mis-match between the long-term assets (denominated and generating cash flow in IDR) and the liabilities (denominated in SGD).

This means that LMIR Trust will be subjected to foreign exchange exposure due to changes in foreign exchange rates arising from foreign currency transactions and balances as well as changes in the fair values from its investment in Indonesia. In times of market upheavals, the REIT may find itself under extraordinary stress to meet all the bank covenants, to refinance its maturing loans and to meet regulatory limit on leverage.

a) Can the manager and the board explain to unitholders the REIT's approach to dealing with the currency mismatch?